NOS

Consolidated

Management Report

1H 15

1H15 NOS Consolidated Management Report

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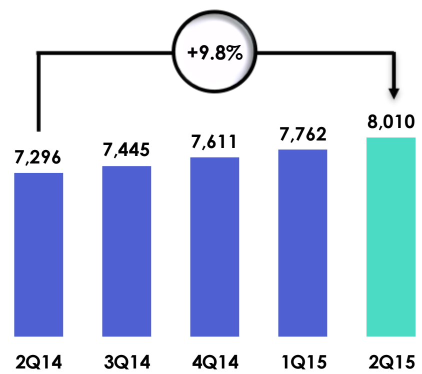
Key Performance Indicators

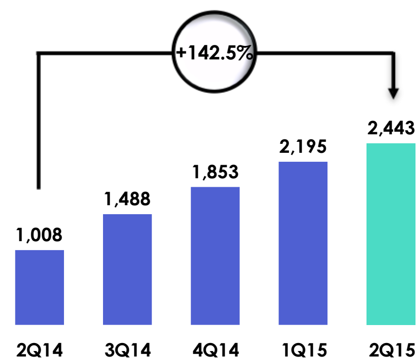
Operational Highlights

(Thousands)

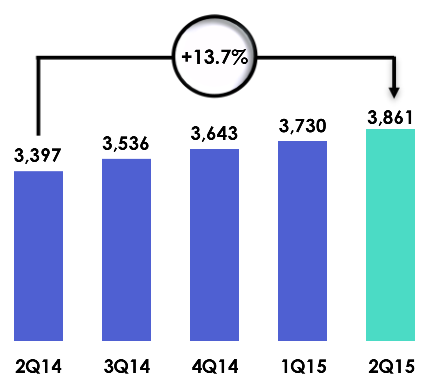
RGUs



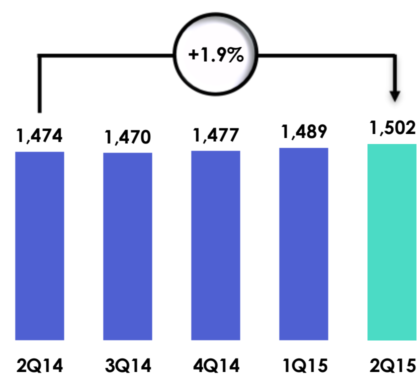
Convergent RGUs



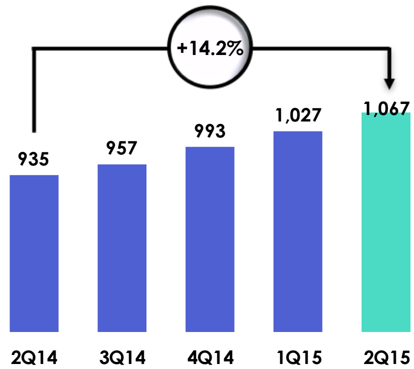
Mobile Subscribers



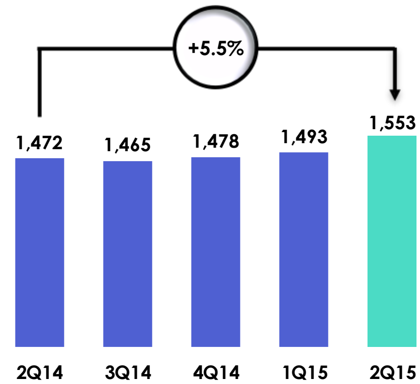
Pay TV



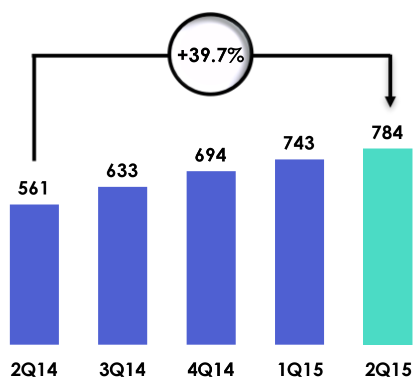
Fixed Broadband



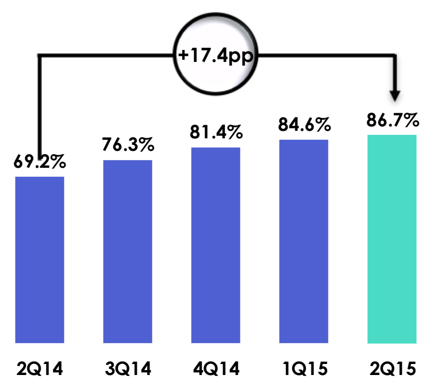
Fixed Voice



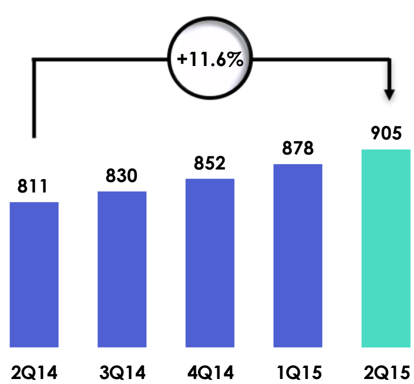
IRIS Subscribers



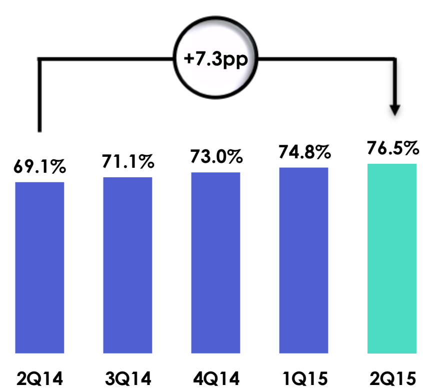
% of 3,4&5P Subscribers (fixed access) with IRIS



3,4&5P Subscribers (fixed access)



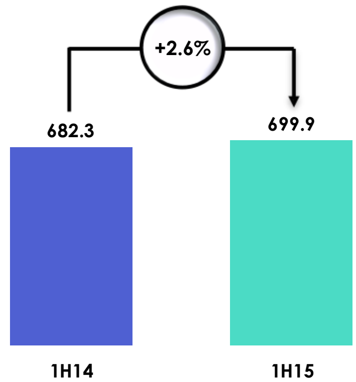
% of 3,4&5P Subscribers (fixed access)



Financial Highlights

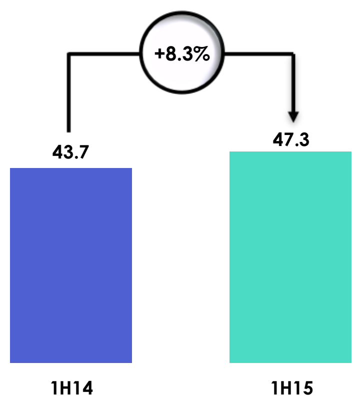
(Millions of Euros)

Operating Revenues

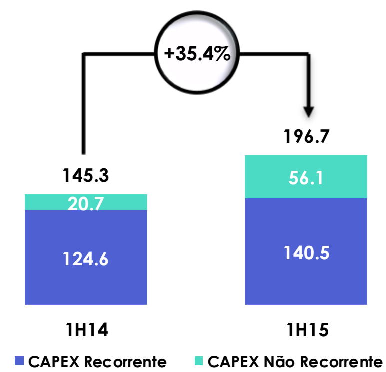


EBITDA (EBITDA margin as % of revenues)

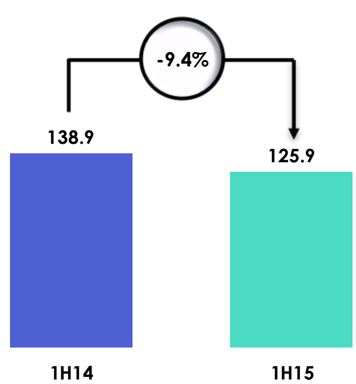
Net Income



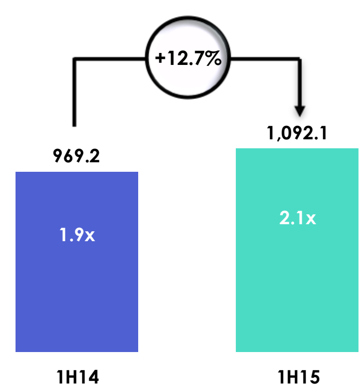
CAPEX



EBITDA – Recurrent CAPEX



Net Financial Debt



2Q15 Highlights

1H15 Highlights	1H14	1H15	1H15 / 1H14
Operational Highlights			
Total RGUs (Net Adds)	82.5	399.7	n.a.
Convergent RGUs (Net Adds)	795.3	589.9	(25.8%)
Mobile (Net Adds)	153.7	218.0	41.8%
Pay TV (Net Adds)	(43.7)	25.7	n.a.
IRIS Subscribers (Net Adds)	123.7	90.6	(26.7%)
Convergent RGUs	1,007.7	2,443.2	142.5%
Convergent Customers	201.7	509.8	152.8%
Convergent Customers as % of Fixed Access Customers	16.5%	37.5%	21.0pp
Residential ARPU / Unique Subscriber With Fixed Access (Euros)	37.4	42.0	12.2%
Financial Highlights			
Operating Revenues	682.3	699.9	2.6%
Telco Revenues	653.7	666.0	1.9%
EBITDA	263.5	266.4	1.1%
EBITDA Margin	38.6%	38.1%	(0.6pp)
Net Income	43.7	47.3	8.3%

Strong growth across all core telco services, acceleration in positive yoy financial trends

- Higher yoy (+1.9%) Pay TV customer base for the first time since 4Q12: positive trend in Pay TV accelerating with another semester of increasing net adds, +25.7 thousand, and driving a 1.9% yoy increase in the base to over 1.5 million subscribers;
- Over 37% of fixed access customers are subscribing to convergent bundles, compared with just 16% a year ago;
- Total convergent customers were already 510 thousand at the end of 1H15, representing 2.44 million convergent RGUs;
- Strong growth in fixed broadband and voice services led by convergent bundle growth and cross-selling to the customer base;
- Mobile subscribers grew by almost 14% yoy to 3.86 million subscribers, posting net growth in both the post-paid and pre-paid base;
- Residential ARPU per unique subscriber with fixed access posted another semester of strong yoy growth of 12.2% to 42.0 euros;

- The number of B2B RGUs increased by 13.7% yoy to 1.17 million reflecting growth in all services due to the large Corporate accounts won over the past quarters and the continued growth in market presence and services within the SoHo and SME segment;

- Another very strong semester for the cinema and audiovisuals division which benefited from the strong industry-wide movie line-up and subsequent increase in ticket sales of close to 20% yoy;

- Acceleration in revenue trends with consolidated revenue growth of 3.2% to 355.9 million euros in 2Q15, driven primarily by the strong operating trends in the telecom segment and in the movie exhibition and distribution segment. In 1H15, consolidated revenues grew by 2.6% to 699.9 million euros;

- Continued improvement of yoy EBITDA trends increasing from negative 1.5% yoy in 1Q15 to positive 3.6% in 2Q15 and with Telco EBITDA turning to positive yoy growth of 3.3%, representing a 38.1% margin as a percentage of telco revenues. In 1H15 consolidated EBITDA grew by 1.1% to 266.4 million euros, representing an EBITDA margin of 38.1%;

- Total CAPEX of 196.7 million euros in 1H15, significantly higher yoy due to the still exceptionally high level of commercial growth and the additional network rollout, as planned.

Governing Bodies

As at the date of this report, 28 July 2015, NOS' Governing Bodies had the following composition:

Board of Directors	
Chairman of the Board of Directors	Jorge de Brito Pereira
Chairman of the Executive Committee	Miguel Almeida
Members of the Executive Committee	José Pedro Pereira da Costa, Vice-Presidente, CFO Ana Paula Marques André Almeida Manuel Ramalho Eanes
Members	Ângelo Paupério António Lobo Xavier António Domingues Catarina Tavira Cláudia Azevedo Fernando Martorell Isabel dos Santos Joaquim de Oliveira Lorena Fernandes Mário Leite da Silva
Chairman of the Fiscal Board	Paulo Cardoso Correira da Mota Pinto
Members	Eugénio Ferreira Nuno Sousa Pereira
Alternate	Luís Filipe da Silva Ferreira

Officials of the General Meeting of Shareholders

Chairman	Pedro Canastra de Azevedo Maia
Secretary	Tiago Antunes da Cunha Ferreira de Lemos

Statutory Auditor

In Office	ERNST & YOUNG AUDIT & ASSOCIADOS, SROC, S.A., inscrita na OROC sob o número 178 e inscrita na CMVM sob o número 9011, representada por Ricardo Filipe de Frias Pinheiro (ROC n.º 739);
Alternate	Paulo Jorge Luís da Silva (ROC n.º 1334)

Management

Report

Capital Markets

NOS' Share Performance

On 30 June 2015, the close price of NOS' shares was 7.174 euros, which represents a 37% increase since the beginning of the year, and which compares with a 15.7% increase of the main Portuguese share index, PSI20.

Taking into account the payment of a dividend of 0.14 euros per share, which took place on 26 May 2015, NOS' Total Shareholder Return in 1H15 amounted to 39.7%.

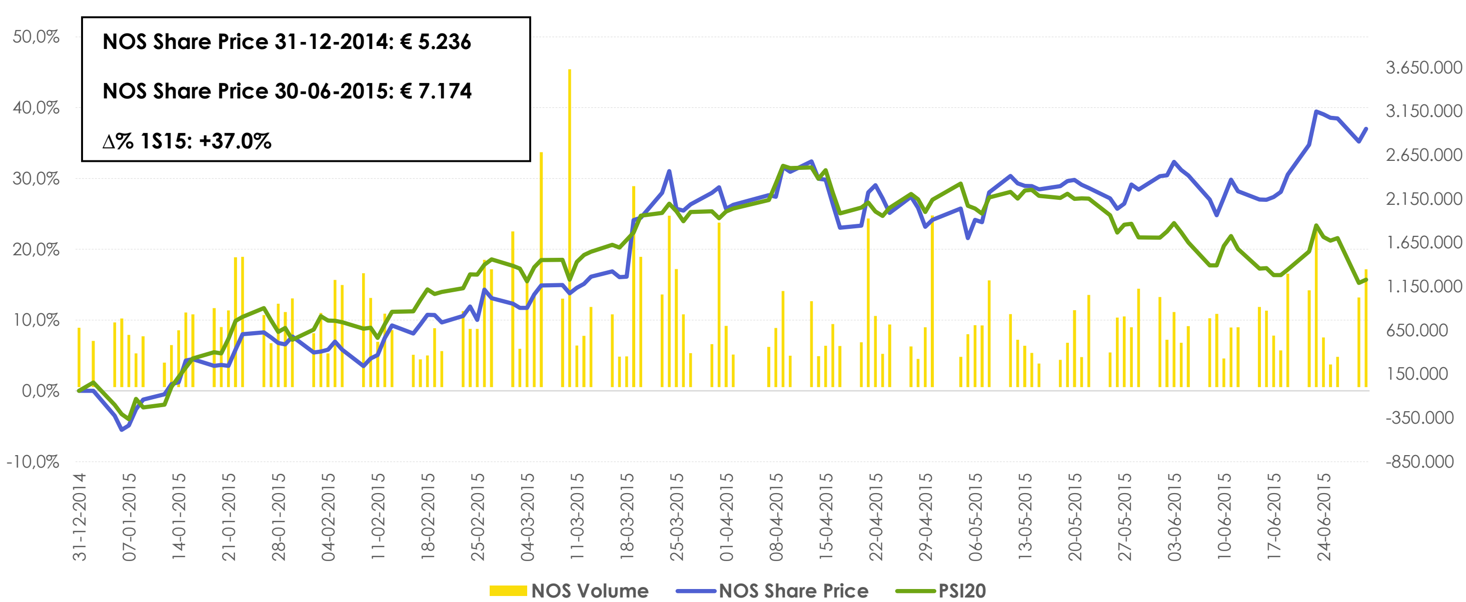
In 1H15 more than 104.6 million NOS shares were traded, which translates to an average daily volume of 830.5 thousand shares per market session.

As such, the daily average volume of NOS in 1H15 represents 0.16% of its total number of shares outstanding.

The highest price at which NOS shares were traded this semester was 7.366 euros (on 23 June 2015), while their lowest trade price was 4.918 euros (on 7 January 2015).

As previously mentioned, the main Portuguese share index, PSI20, posted in 1H15 a climb of 15.7%, whereas the Spanish index, IBEX35, posted growth of 4.8%. FTSE100 (United Kingdom) posted a minor decline of 0.7%, while other main European indexes had a slightly inferior performance than PSI20, with CAC40 (France), DAX (Germany), and the Dow Jones EuroStoxx 50 posting climbs of 12.1%, 11.6% and 7.8%, respectively, during 1H15.

1H15 NOS' Share Performance



1H15 Market Announcements

03-02-2015	NOS informs on resignation of Board Member
05-02-2015	NOS informs on new Commercial Paper programmes
09-02-2015	NOS informs on Qualified Shareholding of Morgan Stanley
25-02-2015	NOS informs on FY14 Earnings Announcement
26-02-2015	NOS informs on 4Q14 Results Presentation
09-03-2015	NOS informs on Manager Transactions
09-03-2015	NOS informs on Qualified Shareholding of Morgan Stanley
10-03-2015	NOS informs on NOS/2014 EUR 175M Bonds Interest Payment
13-03-2015	NOS informs on Manager Transactions
19-03-2015	NOS informs on € 150,000,000 Bond Issue
19-03-2015	NOS informs on "ZON MULTIMEDIA 2012-2015" Bonds Interest Payment
31-03-2015	NOS informs on share attribution to Board Members and employees of the NOS Group
02-04-2015	NOS informs on Management Transactions
02-04-2015	NOS informs on Management Transactions
02-04-2015	NOS informs on Management Transactions
02-04-2015	NOS informs on Management Transactions
02-04-2015	NOS informs on Management Transactions
02-04-2015	NOS informs on Management Transactions
02-04-2015	NOS informs on Annual Report 2014
02-04-2015	NOS informs on General Shareholders Meeting
13-04-2015	NOS informs on Qualified Shareholding of Lyxor International Asset Management S.A.S.
15-04-2015	NOS informs on Qualified Shareholding of Lyxor International Asset Management S.A.S.
24-04-2015	NOS informs on Qualified Shareholding of Norges Bank
04-05-2015	NOS informs on "ZON OPTIMUS 2014-2019" Bonds Interest Payment
06-05-2015	NOS informs on 1Q15 Consolidated Results
06-05-2015	NOS informs on calendar for dividend payment
06-05-2015	NOS informs on Shareholders' Meeting Deliberations
18-05-2015	NOS informs on Qualified Shareholding of Morgan Stanley
22-05-2015	NOS informs on 1Q15 Consolidated Management Report
08-06-2015	NOS informs on two new commercial paper programmes and one bond issue
12-06-2015	NOS informs on Interest Payment and Reimbursement of "ZON MULTIMÉDIA 2012-2015" Bonds

Below we present the major Investor Relation Events which took place in 1H15. The activity developed by the Investor Relations Office also provides permanent and updated information to the financial community about the activities of NOS, through regular press releases, presentations and communications on the quarterly, half-yearly and annual results, as well as any other relevant events that may occur.

It also provides all clarifications to the financial community in general - shareholders, investors (both institutional and retail) and analysts, also assisting and supporting the exercise of the shareholders rights. The Investor Relations Office promotes regular meetings of the executive management team with the financial community through the participation in specialized conferences, roadshows, both in Portugal or in major international financial centers, and often meets with investors who visit Portugal.

1H15 Main Events

13 January	Roadshow in Madrid
15 January	BES Iberian Conference in London
04 February	Santander Iberian Conference in Madrid
05 March	Roadshow in London
11 March	Roadshow in NY
19 March	Roadshow in Paris
02 April	CM-CIC Conference in Paris
16 April	Roadshow in Warsaw
17 April	Roadshow in Frankfurt
12 May	Analyst Roadshow in Madrid
19 May	Analyst Roadshow in London
20 May	UBS Pan European SMC Conference in London
27 May	Berenberg TMT Conference in Zurich
28 May	Soc Gen Annual Conference in Nice
01 June	Euronext & BPI Pan European Days in NY
08 June	Roadshow in London
09 June	Goldman Sachs Cable & Convergence Conference in London
26 June	Roadshow in Milan

NOS' legal representative for Capital Markets is Maria João Carrapato.

Any interested parties are invited to request information from the Investor Relations Office, using the following contacts:

Rua Actor António Silva, nº 9
1600-404 Lisboa
Ph. / Fax: +(351) 21 782 47 25 / +(351) 21 782 47 35
E-mail: ir@nos.pt

Governing Bodies Shareholdings

Under the terms and for the purposes of Article 9, Paragraph a) and numbers 6 and 7 of Article 14 of CMVM Regulation 5/2008, and according to the information provided to the Company by the Governing Bodies, NOS hereby informs on the shareholdings of the members of its Governing Bodies, including the Audit and Finance Committee and the Alternate and In Office Statutory Auditors, at 30 June 2015:

Name	Position/Job	Shares					
		Balance 31-12-2014	1H15 Transactions				Balance 30-06-2015
			Acquisitions	Disposals	Unit Price	Date	
Jorge Manuel de Brito Pereira	Chairman of the Board of Directors	0	-	-	-	-	0
Miguel Nuno Santos Almeida	Chairman of the Executive Committee	0	27.231	-	6,700 €	31-03-2015	0
			-	27.231	6,700 €	31-03-2015	
José Pedro Faria Pereira da Costa	Executive Member	100.000	17.193	-	6,700 €	31-03-2015	100.000
			-	17.193	6,700 €	31-03-2015	
Manuel Ramalho Eanes	Executive Member	0	11.232	-	6,700 €	31-03-2015	0
			-	11.232	*		
André Nuno Malheiro dos Santos Almeida	Executive Member	8.000	4.134	-	6,700 €	31-03-2015	8.000
			-	4.134	6,600 €	31-03-2015	
Ana Paula Garrido de Pina Marques	Executive Member	0	10.006	-	6,700 €	31-03-2015	0
			-	10.006	6,700 €	01-04-2015	
Spouse		0	14.092	-	6,700 €	31-03-2015	0
			-	14.092	6,690 €	31-03-2015	
Ângelo Gabriel Ribeirinho dos Santos Paupério [1]	Non-executive Member	0	-	-	-	-	0
Sonaecom, SGPS, SA		11.012.532	-	-	-	-	11.012.532
ZOPT, SGPS, SA		257.632.005	-	-	-	-	257.632.005
António Bernardo Aranha da Gama Lobo Xavier [2]	Non-executive Member	0	-	-	-	-	0
Sonaecom, SGPS, SA		11.012.532	-	-	-	-	11.012.532
António Domingues [3]	Non-executive Member	0	-	-	-	-	0
Grupo BPI		23.287.499	267.135	80.730	-	-	23.473.904
Catarina Eufémia Amorim da Luz Tavira	Non-executive Member	0	-	-	-	-	0
Fernando Fortuny Martorell	Non-executive Member	0	-	-	-	-	0
Isabel dos Santos [4]	Non-executive Member	0	-	-	-	-	0
ZOPT, SGPS, SA		257.632.005	-	-	-	-	257.632.005
Joaquim Francisco Alves Ferreira de Oliveira [5]	Non-executive Member	0	-	-	-	-	0
Gripcom, SGPS, SA.		6.989.704	-	2.350.078	*	09-03-2015	0
			-	4.639.626	*	13-03-2015	
Lorena Solange Fernandes da Silva Fernandes	Non-executive Member	0	-	-	-	-	0
Maria Cláudia Teixeira de Azevedo [6]	Non-executive Member	0	-	-	-	-	0
Sonaecom, SGPS, SA		11.012.532	-	-	-	-	11.012.532
ZOPT, SGPS, SA		257.632.005	-	-	-	-	257.632.005
Mário Filipe Moreira Leite da Silva [7]	Non-executive Member	0	-	-	-	-	0
ZOPT, SGPS, SA		257.632.005	-	-	-	-	257.632.005
Paulo Cardoso Correia da Mota Pinto	Chairman of the Fiscal Board	0	-	-	-	-	0
Eugénio Luís Lopes Franco Ferreira	Member of the Fiscal Board	0	-	-	-	-	0
Nuno Tiago Bandeira de Sousa Pereira	Member of the Fiscal Board	0	-	-	-	-	0
Luís Filipe da Silva Ferreira	Substitute Member of Fiscal Board	0	-	-	-	-	0
Ernst & Young Audit & Associados, SROC, S.A.	Statutory Auditor	0	-	-	-	-	0
Ricardo Filipe de Frias Pinheiro	Statutory Auditor	0	-	-	-	-	0
Paulo Jorge Luís da Silva	Substitute Statutory Auditor	0	-	-	-	-	0

* Considering that several transactions have taken place, reference is made to the detailed unit price referred to in the communications to the market for this purpose.

(1) Ângelo Gabriel Ribeirinho dos Santos Paupério is member of the Board of Directors of ZOPT, SGPS, S.A., which owned, on 30 June 2015 a share correspondent to 50.01% of the share capital and voting rights of NOS, SGPS, S.A. and member of Board of Directors and Executive Committee of Sonaecom, SGPS, S.A., which owned, on 30 June 2015, a stake correspondent to 2.14% of share capital and voting rights of NOS, SGPS, S.A.

(2) António Bernardo Aranha da Gama Lobo Xavier is member of the Board of Directors and Executive Committee of Sonaecom, SGPS, S.A., which owned, on 30 June 2015 a share correspondent to 2.14% of share capital and voting rights of NOS, SGPS, S.A.

(3) António Domingues is member of Board of Directors of companies belonging to BPI, which owned, on 30 June 2015, 23,473,904 shares of NOS, SGPS, S.A.

(4) Isabel dos Santos is member of the Board of Directors of ZOPT, SGPS, S.A., company holding a share correspondent to 50.01% of the share capital and voting rights of NOS, SGPS, S.A.

(5) Joaquim Francisco Alves Ferreira de Oliveira indirectly holds more than half of the share capital of Gripcom - SGPS, S.A.

(6) Maria Cláudia Teixeira de Azevedo is member of the Board of Directors of ZOPT, SGPS, S.A., company holding a share, on 30 June 2015, correspondent to 50,01% of the share capital and voting rights of NOS, SGPS, S.A., and member of Board of Dircetors and Executive Committee of Sonaecom, SGPS, S.A., company which holds a share correspondent to 2.14% of the share capital and voting rights of NOS, SGPS, S.A.

(7) Mário Filipe Moreira Leite da Silva is member of the Board of Directors of ZOPT, SGPS, S.A., company holding, on 30 June 2015 a share correspondent to 50.01% of the share capital and voting rights of NOS, SGPS, S.A.

Qualified Shareholdings

Under the terms of paragraph c) of number 1 of article 9 of the Regulation 5/2008 of the Portuguese Securities Committee (CMVM), NOS hereby informs on its qualified shareholdings held by third parties, which have been reported to the Company.

The structure of NOS' Social Qualified Shareholdings disclosed to the company, was, in 30 June 2015, as follows:

Shareholders	Number of Shares	% Share Capital and Voting Rights
ZOPT, SGPS, SA (1)	257,632,005	50.01%
Morgan Stanley	33,409,890	6.49%
Banco BPI, SA (2)	23,473,904	4.56%
Sonaecom, SGPS, SA (3)	11,012,532	2.14%
Norges Bank	10,891,068	2.11%
Total Identified	**336,419,399**	**65.30%**

(1) According to paragraphs b) and c) of number 1 of article 20º and article 21º of the Portuguese Securities Code, a qualified shareholding of 52.15% of the share capital and voting rights of ZON OPTIMUS, as calculated in the terms of article 20º of the Portuguese Securities Code, is attributable to ZOPT, Sonaecom and the following companies: a. This qualified holding is attributable to the companies Kento Holding Limited ("Kento") and Unitel International Holdings, BV ("Unitel International"), as well as to Mrs. Isabel dos Santos, under the terms of articles 20(1)(b) and (c) and 21 of the Portuguese Securities Code, being (i) Kento and Unitel International directly and indirectly controlled by Mrs. Isabel dos Santos and (ii) ZOPT controlled together by its shareholders Kento, Unitel International and Sonaecom as a result of the shareholders agreement entered into between these entities; b. The aforementioned qualified holding is also attributable to Sonaecom and all entities in a control relationship with Sonaecom, namely SONTEL, BV, Sonae Investments, BV, SONAE, SGPS, S.A., EFANOR INVESTIMENTOS, SGPS, S.A. and to Mr. Belmiro Mendes de Azevedo, also under the terms of articles 20(1)(b) and (c) and 21 of the Portuguese Securities Code, as a result of the control relationship and shareholders agreement mentioned in a.

(2) Under the terms of paragraph 1 of article 20º of the Portuguese Securities Code, the voting rights corresponding to 4.56% of NOS' share capital, held by Banco BPI's Pension Fund, are attributable to Banco BPI.

(3) Qualified Shareholding according to the results of the Public Offer disclosed by Sonaecom, SGPS, SA on 20 February 2014.

Note: On 5 May 2014, a Long Position announcement was disclosed by Lancaster Investment Management LLP, concerning 2.02% of the voting rights of NOS, SGPS, S.A.

Note 2: The calculation of the voting rights corresponding to each shareholder does not consider own shares held by the Company.

The following table presents the qualified holding of Morgan Stanley, calculated under the terms of number 1 of article 20 of the Portuguese Securities Code.

Shareholders	Number of Shares	% Share Capital and Voting Rights
Morgan Stanley & Co. International PLC	33,347,173	6.47%
Morgan Stanley & Co. LLC	62,128	0.01%
Morgan Stanley Smith Barney LLC	589	0.00%
Total	**33,409,890**	**6.49%**

The following table presents the qualified holding of Banco BPI, SA, calculated under the terms of number 1 of article 20 of the Portuguese Securities Code.

Shareholders	Number of Shares	% Share Capital and Voting Rights
Fundo de Pensões do Banco BPI	23,287,499	4.52%
BPI Vida - Companhia de Seguros de Vida, SA	186,405	0.04%
Total	**23,473,904**	**4.56%**

A detailed record of the qualified shareholdings' communications can be found at NOS' corporate website, at www.nos.pt/ir.

Transactions of Own Shares

By the end of 1H15, NOS held, within the scope of its Employee Share Plan, Share Savings Plan and the Regulation on Short and Medium Term Variable Remuneration, aimed at NOS employees, 601,833 own shares.

The table below summarizes NOS' own shares transactions, which took place until 30 June 2015:

Description	Number of Shares
Balance as at 1 January 2015	2,496,767
Share Incentive Scheme - Acquisition	61,764
Share Incentive Scheme - Distribution	1,956,698
Balance as at 30 June 2015	**601,833**

Business Review

Year on year growth in Pay TV subscribers to over 1.5 million

For the first time since 4Q12, the Pay TV base posted growth year-on-year, reversing a long-term trend of market share decline. In 1H15, Pay TV subscribers were 1.9% higher than at the end of 1H14, reflecting the continued strength of NOS' convergent value proposition and successful network expansion.

The positive trends of the past quarters in Pay TV have become even more pronounced with net adds of 13.9 thousand in 2Q15, accelerating from 11.9 thousand in 1Q15 and 7.1 thousand in 4Q14. Growth occurred in both the fixed access and DTH customer base, with fixed access recording net adds of 9.6 thousand. In 1H15 the Pay TV base posted net adds of 25.7 thousand.

Behind the very positive development of the subscriber base are the strong commercial activity and value proposition in addition to the increased focus and effectiveness of a much more proactive retention activity which in turn is driving materially lower levels of churn and higher levels of customer loyalty with over 70% of the fixed residential customer base within two year loyalty plans.

Strong growth across all business lines, led by convergence take-up, cross-selling and B2B growth

In 2Q15, NOS recorded positive net adds in all core telecom services: Pay TV, fixed and DTH, Fixed Broadband and Voice and Mobile, pre-paid and post-paid. The main driver of the positive performance continues to be the convergent value proposition. By the end of 1H15, NOS had 509.8 thousand customers subscribing to convergent bundles, 2.5x more than at the end of 1H14 and already representing 34% of the total Pay TV base and of NOS' fixed access customers, 37% were convergent. Total convergent RGUs grew by 142.5% yoy to 2.44 million RGUs representing an average of 4.8 RGUs per unique customer. Growth in convergent services remains strong quarter on quarter albeit at a gradually slower pace than in the previous year due to the already high level of penetration of the base.

Over the past months, NOS has launched a number of more segmented convergent offers ranging from a low end Pay TV and mobile double play offer, NOS Dois, up to a high-end five service offer, NOS Cinco, that offers high-end Pay TV (156 channels), Broadband (100 Mbps), Mobile 4G Broadband (5GB), Fixed Voice and Mobile Voice and Data (standard 500 MB per SIM card). Results are proving very encouraging with a good proportion of mobile data sensitive customers subscribing to the higher-end NOS Quatro offer for 54.99 euros in order to benefit from the 500MB/1 GB data allowances per SIM card.

Fixed broadband and voice customers also posted material growth in 1H15 of 73.9 thousand and 75.4 thousand respectively, significantly higher than in previous periods, led by the strong performance of the pay TV base, cross selling activity and convergent take-up, over both the fixed and satellite networks and growth in the Corporate segment.

NOS' cutting edge TV interface "IRIS" continued to post very strong take-up with an additional 90.6 thousand customers in 1H15, taking penetration of the fixed 3,4&5 play base up to almost 87%. With its client server architecture, IRIS provides a multidevice NOS ecosystem that also allows for more agile and flexible platform developments and upgrades than other solutions in the market. Being at the forefront of innovation in Pay TV is a core priority for NOS, in that it provides a strong competitive differentiator upon which to leverage growth in other core fixed and mobile telco services.

NOS launched a new version of IRIS in March 2015, its cloud based, multi-device TV interface launched back in 2011 and that is today the default interface for all offers. Increasing penetration of IRIS is a strategic priority as it is a key enabler of customer satisfaction and retention.

NOS has continuously surprised customers with innovative new services, driving new international standards for TV usage and experience. Launched four years ago, NOS pioneered the TV experience with innovative features such as restart TV, 7 day automatic recording, IRIS Online and NPVR all of which have become mainstream in Portugal. With the recent launch of the next generation of IRIS, NOS has once again set the pace of innovation by reaching a whole new level of content personalized to user preferences. The new IRIS provides viewers with a completely personalized experience, recommending the most relevant content based on usage and time slot whilst renewing the look and feel of the interface. Personalized content recommendations are now available across the entire platform, in an extremely intuitive and easy to access organization.

In addition to the new IRIS, NOS also launched the IRIS app which merges the TV content navigation and recommendation with the tablet in an innovative multidevice environment. Free for iOS and Android tablets, NOS IRIS enhances the personalized recommendation and navigation experience. As an example, the app can be synced with the TV to search for content related to the live programme being broadcast or else to navigate content according to user preference and then flick to watch on TV with a simple flick of the hand over the tablet screen.

Strong growth in mobile market share led by continued growth in convergent bundles and return to growth of personal mobile services

The strong pace of growth in the mobile base continued throughout 1H15, not only in the mostly convergent post-paid base but also in pre-paid subscribers which recorded positive net adds for the first time in 2 years in 2Q15.

Total mobile subscribers grew yoy by 13.7% to 3.86 million subscribers, with total net adds of 218.0 thousand in 1H15, of which 249.1 thousand were post-paid and the remaining -31.1 thousand pre-paid subscribers. The growth in post paid subs related mostly to the continued take up of convergent bundles and growth in the business segment. The positive quarterly performance in the pre-paid segment resulted from a combination of lower migration to convergent products from within the NOS mobile customer base and due to the success of offers targeting niche segments of the stand-alone mobile market, namely the youth brand WTF which has been showing encouraging growth trends over the past quarters.

Overall, post-paid customers now represent 47% of the mobile customer base, up from just 38% at the end of 1H14.

Ramp-up of new Corporate account revenue stream with successful installation and service delivery on schedule

Revenues from large Corporate accounts showed continued strong growth with the ramp-up in revenues for new accounts won over the past year. Successful installation and delivery was particularly noteworthy given the simultaneous scheduling and execution work required for most of these very technically sophisticated and demanding new institutional clients. Additional growth drivers are also materializing in the ICT segment, in areas such as datacentre management, information system outsourcing, cloud based services and application management. NOS' SoHo and SME segment is posting material growth in RGUs, consolidating a reversal in long term trends and is now also starting to grow in terms of number of unique accounts however yoy trends in revenues are still negative due to the still very challenging pricing environment in this segment which were not yet offset by the strong growth in volume.

Total RGUs in the Business segment continued to perform well, up by 13.7% yoy to 1.171 million, led by growth in Pay TV services of 29.1% to 98.0 thousand, of 24.2% in Fixed Broadband and Data services to 123.6 thousand, of 24.4% in fixed voice services to 246.3 thousand and of 7.1% in mobile services to 702.6 thousand, led by intense commercial effort and increased distribution capabilities.

Residential ARPU continues to grow due to increased RGU penetration per household

The continued growth in convergent bundles and cross-selling of services to the residential customer base, driving the increased average number of RGUs per household, are the primary drivers of the continued strength in ARPU for this segment which increased by 12.2% to 42.0 euros.

ARPU per RGU in the business segment continued to post a negative trend yoy due to the continued impact of backbook repricing in the SoHo and SME segment.

Operating Indicators ('000)	2Q14	1Q15	**2Q15**	2Q15 / 2Q14	2Q15 / 1Q15	1H14	**1H15**	1H15 / 1H14
Telco (1)								
Aggregate Indicators								
Homes Passed	3,243.2	3,393.0	3,468.0	6.9%	2.2%	3,243.2	3,468.0	6.9%
Total RGUs	7,295.6	7,761.8	8,010.2	9.8%	3.2%	7,295.6	8,010.2	9.8%
Mobile	3,397.1	3,730.4	3,861.2	13.7%	3.5%	3,397.1	3,861.2	13.7%
Pre-Paid	2,109.2	2,025.0	2,030.1	(3.7%)	0.3%	2,109.2	2,030.1	(3.7%)
Post-Paid	1,287.9	1,705.4	1,831.1	42.2%	7.4%	1,287.9	1,831.1	42.2%
ARPU / Mobile Subscriber (Euros)	9.2	8.8	9.2	0.2%	4.6%	9.1	9.0	(0.9%)
Pay TV	1,474.3	1,488.6	1,502.5	1.9%	0.9%	1,474.3	1,502.5	1.9%
Fixed Access (2)	1,172.3	1,174.0	1,183.6	1.0%	0.8%	1,172.3	1,183.6	1.0%
DTH	302.1	314.6	318.9	5.6%	1.4%	302.1	318.9	5.6%
Fixed Voice	1,472.5	1,493.4	1,553.0	5.5%	4.0%	1,472.5	1,553.0	5.5%
Broadband	934.5	1,027.3	1,066.9	14.2%	3.8%	934.5	1,066.9	14.2%
Others and Data	17.2	22.0	26.6	55.0%	21.0%	17.2	26.6	55.0%
3,4&5P Subscribers (Fixed Access)	810.6	878.1	904.9	11.6%	3.0%	810.6	904.9	11.6%
% 3,4&5P (Fixed Access)	69.1%	74.8%	76.5%	7.3pp	1.7pp	69.1%	76.5%	7.3pp
Convergent RGUs	1,007.7	2,194.5	2,443.2	142.5%	11.3%	1,007.7	2,443.2	142.5%
Convergent Customers	201.7	456.8	509.8	152.8%	11.6%	201.7	509.8	152.8%
Fixed Convergent Customers as % of Fixed Access Customers	16.5%	34.0%	37.5%	21.0pp	3.5pp	16.5%	37.5%	21.0pp
% Convergent Customers	13.7%	30.7%	33.9%	20.3pp	3.2pp	13.7%	33.9%	20.3pp
IRIS Subscribers	561.3	742.6	784.2	39.7%	5.6%	561.3	784.2	39.7%
IRIS as % of 3,4&5P Subscribers (Fixed Access)	69.2%	84.6%	86.7%	17.4pp	2.1pp	69.2%	86.7%	17.4pp
Net Adds								
Homes Passed	(12.3)	67.3	75.0	n.a.	11.5%	1.4	142.3	n.a.
Total RGUs	80.3	151.3	248.4	209.2%	64.2%	82.5	399.7	n.a.
Mobile	108.7	87.2	130.8	20.4%	50.0%	153.7	218.0	41.8%
Pre-Paid	(45.8)	(36.2)	5.1	n.a.	(114.0%)	(141.8)	(31.1)	(78.1%)
Post-Paid	154.5	123.4	125.7	(18.6%)	1.9%	295.5	249.1	(15.7%)
Pay TV	(19.0)	11.9	13.9	n.a.	16.8%	(43.7)	25.7	n.a.
Fixed Access (2)	(17.1)	7.4	9.6	n.a.	29.2%	(31.5)	17.0	n.a.
DTH	(1.9)	4.5	4.3	n.a.	(3.8%)	(12.2)	8.7	n.a.
Fixed Voice	(18.8)	15.8	59.6	n.a.	276.6%	(42.5)	75.4	n.a.
Broadband	7.5	34.4	39.5	n.a.	15.1%	12.4	73.9	n.a.
Others and Data	1.9	2.0	4.6	138.7%	126.1%	2.6	6.7	155.1%
3,4&5P Subscribers (Fixed Access)	1.8	26.4	26.8	n.a.	1.2%	3.6	53.2	n.a.
Convergent RGUs	451.9	341.3	248.7	(45.0%)	(27.1%)	795.3	589.9	(25.8%)
Convergent Customers	86.3	72.2	53.0	(38.6%)	(26.6%)	156.4	125.2	(20.0%)
IRIS Subscribers	62.7	49.0	41.6	(33.7%)	(15.3%)	123.7	90.6	(26.7%)

(1) Portuguese Operations
(2) Fixed Access Subscribers include customers served by the HFC, FTTH and ULL networks and indirect access customers.

Operating Indicators ('000)	2Q14	1Q15	**2Q15**	2Q15 / 2Q14	2Q15 / 1Q15	1H14	**1H15**	1H15 / 1H14
Telco (1)								
Indicators per Segment								
Consumer								
Total RGUs	6,266.0	6,671.8	6,839.7	9.2%	2.5%	6,266.0	6,839.7	9.2%
Unique Subscribers With Fixed Access (2)	1,120.8	1,108.7	1,114.2	(0.6%)	0.5%	1,120.8	1,114.2	(0.6%)
Pay TV	1,398.4	1,396.0	1,404.5	0.4%	0.6%	1,398.4	1,404.5	0.4%
Fixed Access	1,112.1	1,105.2	1,110.6	(0.1%)	0.5%	1,112.1	1,110.6	(0.1%)
DTH	286.3	290.9	293.9	2.7%	1.0%	286.3	293.9	2.7%
IRIS Subscribers	543.0	715.0	753.7	38.8%	5.4%	543.0	753.7	38.8%
Broadband	852.2	935.5	969.9	13.8%	3.7%	852.2	969.9	13.8%
Fixed Voice	1,274.5	1,290.4	1,306.7	2.5%	1.3%	1,274.5	1,306.7	2.5%
Mobile	2,741.0	3,050.0	3,158.6	15.2%	3.6%	2,741.0	3,158.6	15.2%
% 1P (Fixed Access)	13.4%	10.2%	9.2%	(4.2pp)	(1.0pp)	13.4%	9.2%	(4.2pp)
% 2P (Fixed Access)	17.9%	15.8%	15.1%	(2.8pp)	(0.6pp)	17.9%	15.1%	(2.8pp)
% 3,4&5P (Fixed Access)	68.7%	74.1%	75.7%	7.0pp	1.6pp	68.7%	75.7%	7.0pp
ARPU / Unique Subscriber With Fixed Access (Euros)	37.7	41.5	42.3	12.2%	1.8%	37.4	42.0	12.2%
Net Adds								
Total RGUs	58.8	125.9	167.9	185.5%	33.4%	34.8	293.7	n.a.
Unique Subscribers With Fixed Access	(32.8)	2.1	5.5	n.a.	161.1%	(57.5)	7.6	n.a.
Pay TV	(23.9)	4.7	8.5	n.a.	80.5%	(50.7)	13.2	n.a.
Fixed Access	(20.5)	2.6	5.5	n.a.	113.7%	(37.2)	8.0	n.a.
DTH	(3.4)	2.1	3.0	n.a.	40.6%	(13.6)	5.1	n.a.
IRIS Subscribers	59.4	46.6	38.7	(34.8%)	(16.9%)	118.0	85.3	(27.7%)
Broadband	3.5	31.7	34.4	n.a.	8.6%	6.6	66.1	n.a.
Fixed Voice	(19.7)	13.8	16.3	n.a.	18.7%	(45.3)	30.1	n.a.
Mobile	98.9	75.7	108.6	9.8%	43.5%	124.3	184.3	48.3%
Business								
Total RGUs	1,029.5	1,090.0	1,170.5	13.7%	7.4%	1,029.5	1,170.5	13.7%
Pay TV	75.9	92.6	98.0	29.1%	5.8%	75.9	98.0	29.1%
IRIS Subscribers	18.3	27.7	30.5	66.5%	10.2%	18.3	30.5	66.5%
Broadband	99.5	113.9	123.6	24.2%	8.5%	99.5	123.6	24.2%
Fixed Voice	198.0	203.1	246.3	24.4%	21.3%	198.0	246.3	24.4%
Mobile	656.1	680.4	702.6	7.1%	3.3%	656.1	702.6	7.1%
ARPU per RGU (Euros)	20.0	19.1	18.6	(6.6%)	(2.4%)	20.3	18.8	(7.1%)
Net Adds								
Total RGUs	21.6	25.4	80.5	273.6%	216.7%	47.7	106.0	122.2%
Pay TV	4.9	7.2	5.4	9.0%	(24.9%)	7.0	12.5	78.1%
IRIS Subscribers	3.3	2.4	2.8	(14.5%)	16.0%	5.6	5.3	(6.6%)
Broadband	5.9	4.7	9.7	63.9%	106.7%	8.4	14.4	73.0%
Fixed Voice	0.9	2.1	43.2	n.a.	n.a.	2.9	45.3	n.a.
Mobile	9.8	11.5	22.2	127.0%	93.1%	29.4	33.7	14.4%

(1) Portuguese Operations
(2) Fixed Access Subscribers include customers served by the HFC, FTTH and ULL networks and indirect access customers.
Note: During 4Q14, the criteria for segment allocation between consumer and business were revised and figures were adjusted accordingly.

Cinemas and Audiovisuals

Operating Indicators ('000)	2Q14	1Q15	**2Q15**	2Q15 / 2Q14	2Q15 / 1Q15	1H14	**1H15**	1H15 / 1H14
Cinema (1)								
Revenue per Ticket (Euros)	4.7	4.6	4.7	(1.1%)	0.6%	4.7	4.6	(0.9%)
Tickets Sold	1,676.6	1,981.4	2,003.6	19.5%	1.1%	3,272.3	3,984.9	21.8%
Screens (units)	209	214	215	2.9%	0.5%	209	215	2.9%

(1) Portuguese Operations

In 1H15, NOS' Cinema ticket sales posted an increase of 21.8% to 3.985 million tickets, which total market's ticket sales[1] growth of 20.2%.

The most successful films shown in 1H15 were "Furious 7", "Fifty Shades of Grey", "Avengers: Age of Ultron", "Jurassic World" and "Home".

NOS opened the first IMAX® DMR - Digital 3D screen in Lisbon in June 2013, with a second screen opening in Oporto in April 2015. Having now completed 2 years of operation, this premium cinema experience continues to prove very successful.

Average revenue per ticket sold posted a marginal yoy decline of 0.9% to 4.6 euros in 1H15.

NOS' gross box-office revenues increased by 20.5% in 1H15, and NOS continues to maintain its leading market position, with a market share of 61.5% in terms of gross revenues in 1H15. Total Cinema Exhibition revenues improved by 20.5% yoy in 1H15 to 26.7 million euros.

Revenues in the Audiovisuals division improved by 22.2% yoy, to 34.7 million euros in 1H15. Revenues were driven primarily by the improved performance in Cinema Distribution and premium TV content, which more than offset the structural decline of the Homevideo market. Of the top 10 cinema box-office hits in 1H15, NOS distributed 8 (including the top 4 movies), "Furious 7", "Fifty Shades of Grey", "Avengers: Age of Ultron", "Jurassic World", "Cinderella", "American Sniper", "Paddington" and "Inside Out", therefore maintaining its leading position.

[1] Source: ICA – Portuguese Institute For Cinema and Audiovisuals

ZAP

ZAP has become a reference operator in Angola and Mozambique, with continued success of its commercial operations. ZAP maintains its focus on continuing to expand its sales channels, increasing its presence in these territories. Therefore, in 1H15 it has opened three new stores in Angola (“Benfica” and “Samba”, both in Luanda and “Benguela II” in Benguela) and two in Mozambique (“Alberto Lituly” in Maputo and “Quelimane” in Zambezia). In Mozambique ZAP is also expanding its commercial coverage through the “van selling” sales channel, which can reach the most distant regions.

Following the launch of "ZAP Fibra", a TV and internet bundle based on an FTTH solution, in the first quarter of this year, ZAP is now engaged in increasing the footprint of its FTTH network in Luanda, already covering some important areas of the city, namely Talatona, Nova Vida, Centralidade do Kilamba and Morro Bento.

ZAP continues to differentiate from its competition in these countries by improving its content line-up, in order to meet its customers’ highest expectations. During this quarter, ZAP increased the coverage of Angolan sports events, broadcasting local matches of the Football, Handball and Basketball Leagues as well as an international swimming competition hosted in Luanda. ZAP also added TV Sucesso to its packages, a new generalist Mozambican channel that presents some of the most recognized Mozambican TV Stars, and a new feed of AXN, aimed at the Angolan and Mozambican markets with some of its content dubbed in Portuguese. ZAP also added SIC Radical to its packages, a channel that targets young people between the ages of 15 and 35 years. This channel is characterized by its irreverent and alternative programming and also by the coverage of the best Portuguese musical festivals.

During 2Q15 ZAP also launched a strong marketing campaign preparing the introduction of the Globo channels in its packages, at the beginning of July 2015. Globo is one of the leading channels in terms of audience and will be distributed on an exclusive basis by ZAP.

Consolidated Financial Review

Consolidated Income Statement

The consolidated accounts for 1H15 were subject to limited review.

Profit and Loss Statement (Millions of Euros)	2Q14	1Q15	**2Q15**	2Q15 / 2Q14	2Q15 / 1Q15	1H14	**1H15**	1H15 / 1H14
Operating Revenues	345.0	344.1	355.9	3.2%	3.4%	682.3	699.9	2.6%
Telco	330.2	327.7	338.3	2.5%	3.3%	653.7	666.0	1.9%
Consumer Revenues	203.7	210.2	213.3	4.7%	1.5%	410.9	423.4	3.1%
Business and Wholesale Revenues	97.8	92.3	102.4	4.7%	11.0%	195.1	194.7	(0.2%)
Equipment Sales	9.0	8.3	9.8	8.6%	17.5%	17.2	18.1	5.6%
Others and Eliminations	19.7	16.9	12.9	(34.7%)	(23.7%)	30.5	29.8	(2.4%)
Audiovisuals	14.2	16.7	18.0	26.7%	8.3%	28.4	34.7	22.2%
Cinema (1)	11.4	13.8	12.9	13.0%	(6.1%)	22.2	26.7	20.5%
Others and Eliminations	(10.9)	(14.0)	(13.5)	23.4%	(4.2%)	(21.9)	(27.5)	25.3%
Operating Costs Excluding D&A	(211.3)	(216.2)	(217.4)	2.9%	0.6%	(418.8)	(433.5)	3.5%
W&S	(18.7)	(21.6)	(20.3)	8.4%	(6.0%)	(39.8)	(41.9)	5.4%
Direct Costs	(100.5)	(101.2)	(110.7)	10.2%	9.3%	(197.2)	(211.9)	7.5%
Commercial Costs (2)	(21.8)	(21.2)	(19.2)	(12.0%)	(9.7%)	(44.5)	(40.4)	(9.3%)
Other Operating Costs	(70.4)	(72.1)	(67.2)	(4.5%)	(6.8%)	(137.3)	(139.3)	1.4%
EBITDA	133.6	127.9	138.5	3.6%	8.3%	263.5	266.4	1.1%
EBITDA Margin	38.7%	37.2%	38.9%	0.2pp	1.7pp	38.6%	38.1%	(0.6pp)
Telco	124.9	116.9	129.0	3.3%	10.3%	245.3	245.8	0.2%
EBITDA Margin	37.8%	35.7%	38.1%	0.3pp	2.4pp	37.5%	36.9%	(0.6pp)
Cinema Exhibition and Audiovisuals	8.8	11.0	9.5	8.6%	(13.7%)	18.3	20.6	12.6%
EBITDA Margin	37.4%	40.4%	35.3%	(2.1pp)	(5.2pp)	39.8%	37.9%	(1.9pp)
Share of results of associates and joint ventures	2.7	7.3	0.5	(80.0%)	(92.6%)	7.6	7.9	3.6%
EBITDA including results of associates and joint ventures	136.3	135.3	139.0	2.0%	2.8%	271.1	274.3	1.2%
Depreciation and Amortization	(86.2)	(87.7)	(90.7)	5.2%	3.4%	(170.1)	(178.4)	4.9%
(Other Expenses) / Income	(12.6)	(6.1)	(5.4)	(57.5%)	(11.9%)	(15.5)	(11.5)	(25.9%)
Operating Profit (EBIT) (3)	37.5	41.5	43.0	14.6%	3.6%	85.6	84.4	(1.3%)
(Financial Expenses) / Income	(14.2)	(11.8)	(10.8)	(23.7%)	(8.3%)	(29.4)	(22.6)	(23.0%)
Income Before Income Taxes	23.3	29.7	32.2	37.9%	8.3%	56.2	61.8	10.0%
Income Taxes	(4.8)	(6.5)	(8.2)	71.2%	27.1%	(12.1)	(14.7)	20.9%
Income From Continued Operations	18.5	23.2	23.9	29.3%	3.1%	44.1	47.2	7.0%
o.w. Attributable to Non-Controlling Interests	(0.1)	0.0	0.1	n.a.	n.a.	(0.4)	0.1	n.a.
Net Income	18.4	23.2	24.1	30.7%	3.5%	43.7	47.3	8.3%

(1) Includes operations in Mozambique.
(2) Commercial costs include commissions, marketing and publicity expenses and costs of equipment sold.
(3) EBIT = Income Before Financials and Income Taxes.
Note: During 4Q14, the criteria for segment allocation between consumer and business were revised and figures were adjusted accordingly.

Operating Revenues

Consolidated Operating Revenues in 2Q15 posted a material sequential improvement in yoy trend with growth of 3.2%, accelerating from 2% in 1Q15 and negative 0.7% in 4Q14. In 1H15 Operating Revenues grew by 2.6% to 699.9 million euros.

Core Telco revenues posted a similar trend with yoy growth in 2Q15 of 2.5% up from negative 0.5% in 4Q14 and positive growth of 1.3% in 1Q15. In 1H15, Telco Revenues grew by 1.9% to 666.0 million euros.

The growth in volume of RGUs, the yoy increase in the residential customer base and the continued growth in the Corporate segment are the main drivers of this strength, helping to offset the still negative yoy trends, in the personal and the SoHo and SME segment.

Within telecom revenues, Consumer revenues recorded a 3.1% increase yoy to 423.4 million euros reflecting the combination of very positive yoy growth in residential revenues of 6% which more than offset the negative yoy trend in personal revenues. Stand-alone personal services posted a negative revenue trend yoy due to the lower subscriber base with the migration to convergent bundles and to the higher proportion of lower monthly bill pre-paid subscribers in the personal segment mix.

In the Business segment, large Corporate accounts acquired over the past quarters started to make an important contribution to yoy customer revenue growth (+7% yoy) helping to compensate for the yoy negative revenue trends in the SoHo and SME market (-10% yoy) which is still impacted by the market repricing. Wholesale revenues contributed with yoy revenue decline (-4% yoy), impacted by the volume decline in mass calling services which took place in 1Q15.

The Audiovisuals and Cinema business continue to benefit from the very positive momentum felt in the industry worldwide due to the very strong line up of movies coming to the box-office. In 1H15, Cinema exhibition revenues grew yoy by 20.5% and Audiovisuals grew by 22.2% yoy, also reflecting NOS' leading market position in this business.

Revenues from the Angolan Pay TV joint venture continued to grow significantly, with NOS' 30% stake in revenues posting a 24.5% yoy increase to 35.5 million euros.

EBITDA

Consolidated EBITDA moved into positive yoy territory in 2Q15 with growth yoy of 3.6% to 138.5 million euros compared with negative 1.5% in 1Q15, negative 4% in 4Q14 and negative 4.8% in 2Q14. Consolidated EBITDA margin, as a percentage of Revenues, was 38.9%, up 0.2 pp versus 2Q14 and an increase of 1.7pp from 1Q15. In 1H15, Consolidated EBITDA grew by 1.1% yoy to 266.4 million euros.

In turn, Telco EBITDA also posted positive yoy growth of 3.3% to 129.0 million euros compared with negative 2.9% in 1Q15 and negative 5.0% in 2Q14. In 1H15 Telco EBITDA posted a slight yoy increase of 0.2% to 245.8 million euros.

EBITDA from the Audiovisuals and Cinema operations posted a yoy increase of 12.6% to 20.6 million euros representing a 37.9% margin as a percentage of Revenues. The EBITDA of NOS' 30% stake in ZAP grew by 25.4% to 13.8 million euros, representing 38.7% as a margin of Revenues.

Consolidated Operating Costs Excluding D&A

Consolidated Operating Costs grew by 3.5% yoy to 433.5 million euros still impacted by the intense activity related costs due to the strong commercial operations and focus on growth. Integration projects are being implemented according to expectations and delivering important savings in key areas of operations. The most material projects currently underway are related to more complex, longer-term execution projects that are tied in directly with systems development and integration or that are dependent on systems and technical process implementation.

Wages and Salaries posted a 5.4% increase yoy to 41.9 million euros in 1H15 due primarily to a yoy increase in headcount as a result of the acquisition of NOS Sistemas (previously Mainroad).

Direct Costs recorded a 7.5% increase to 211.9 million euros, an increase driven mostly by the very strong growth of over 11% in activity based and wholesale traffic costs which represent close to 50% of this cost aggregate. The significant increase of the past quarters in mobile customers who are subscribing to all-net mobile tariffs included in convergent tariff plans, is driving higher termination costs from increased volume of calls made to other operator networks.

Commercial Costs declined by 9.3% yoy to 40.4 million euros due to a decline in the volume of non-customer acquisition and retention related commissions, on the back of lower levels of churn, and due to a yoy reduction in advertising and publicity related costs which in 2Q14 were impacted by the intense marketing activity surrounding the NOS merger and increased commercial and non brand launch related marketing push last year. A seasonal pick up in regular commercial advertising and publicity costs is to be expected in latter half of the year.

Other Operating Costs increased by 1.4% yoy to 139.3 million euros. The main cost items in this aggregate, support services and supplies and external services posted similar levels to previous periods with cost items like customer care and maintenance and repairs being affected by a larger customer base, and other items like energy costs being affected by the deployment of the cable/FTTH network. The main variation in this aggregate is explained by a reduction in the level of provisions in the quarter due to better performance metrics achieved on bad debt recovery.

Net Income

Net Income was 47.3 million euros in 1H15, compared with 43.7 million euros in 1H14 representing an 8.3% improvement in comparison with last year.

NOS' Share of Associates and Joint Ventures grew by 3.6% yoy to 7.9 million euros in 1H15. However this item declined significantly in 2Q15 to 0.5 million euros (2.7 million euros in 2Q14 and 7.3 million euros in 1Q15) as a result primarily of the devaluation of the kwanza vs USD which negatively impacted ZAP's operating results due to costs contracted in USD and generated a negative financial charge below EBITDA due to the foreign exchange impact on USD trade accounts, in the amount of negative 2.8 million euros in 2Q15.

Depreciation and Amortization increased by 4.9% yoy to 178.4 million euros as a result of the higher level of investment in both network assets and customer related costs.

Other Expenses* of 11.5 million euros in 1H15 relate to non-recurrent costs, with merger related integration costs representing 7.3 million euros of this amount.

Net Financial Expenses fell by 23.0% to 22.6 million euros in 1H15 compared with 29.4 million euros in 1H14 as a result of the lower average cost of the new debt previously contracted. The section ahead on capital structure provides details of the significant savings arising from lower funding costs due to new facilities being contracted that are replacing lines contracted in previous years at significantly higher costs within the context of a less favourable macroeconomic environment. Net interest charges and other financial costs in 1H15 were 15.0 million euros compared with 18.6 million euros in 1H14.

Income Tax provision amounted to 14.7 million euros in 1H15 representing 23.7% as a percentage of Income before Income Taxes.

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* In accordance with IAS 1, the caption "Other expenses" reflects material and unusual expenses that should be disclosed separately from usual line items, to avoid distortion of the financial information from regular operations, namely restructuring costs resulting from the merger (including curtailment costs) as well as one-off non-cash items that result from alignment of estimates between the two companies.

CAPEX

CAPEX (Millions of Euros)	2Q14	1Q15	**2Q15**	2Q15 / 2Q14	2Q15 / 1Q15	1H14	**1H15**	1H15 / 1H14
Telco	63.4	59.3	62.6	(1.4%)	5.6%	108.5	121.8	12.2%
Infrastructure	27.8	22.5	29.5	6.1%	31.4%	40.4	52.0	28.6%
Customer Related CAPEX	34.8	36.1	30.7	(11.8%)	(14.9%)	64.0	66.8	4.4%
Other	0.8	0.7	2.4	196.5%	229.3%	4.2	3.1	(26.5%)
Audiovisuals and Cinema Exhibition	8.4	9.0	9.8	16.2%	8.9%	16.0	18.7	16.8%
Recurrent CAPEX	71.8	68.2	72.3	0.7%	6.0%	124.6	140.5	12.8%
Non-Recurrent CAPEX	16.8	26.1	30.0	78.9%	15.1%	20.7	56.1	171.3%
Total CAPEX	88.6	94.3	102.4	15.5%	8.5%	145.3	196.7	35.4%

Total CAPEX increased yoy by 35.4% to 196.7 million euros. Recurrent CAPEX grew by 12.8% in comparison to 1H14. The increase in non-recurrent CAPEX to 56.1 million euros is a result of the network coverage expansion programme underway, with an additional 142 thousand households covered in 1H15 and of increased commercial investment.

Audiovisuals and Cinema CAPEX of 18.7 million euros is related mostly with the capitalization of certain movie rights in the Audiovisuals division.

As a percentage of revenues, total CAPEX amounted to 28.1% in 1H15 and Telco recurrent CAPEX represented 18.3% of Telco Revenues.

Cash Flow

Cash Flow (Millions of Euros)	2Q14	1Q15	**2Q15**	2Q15 / 2Q14	2Q15 / 1Q15	1H14	**1H15**	1H15 / 1H14
EBITDA	133.6	127.9	138.5	3.6%	8.3%	263.5	266.4	1.1%
Recurrent CAPEX	(71.8)	(68.2)	(72.3)	0.7%	6.0%	(124.6)	(140.5)	12.8%
EBITDA - Recurrent CAPEX	61.8	59.7	66.2	7.0%	10.8%	138.9	125.9	(9.4%)
Non-Cash Items Included in EBITDA - Recurrent CAPEX(1) and Change in Working Capital	(10.1)	(26.9)	(38.5)	n.a.	43.1%	(45.8)	(65.3)	42.5%
Operating Cash Flow After Investment	51.7	32.8	27.7	(46.4%)	(15.7%)	93.1	60.5	(35.0%)
Long Term Contracts	(4.2)	(4.1)	(4.3)	2.1%	3.2%	(8.1)	(8.4)	3.2%
Net Interest Paid and Other Financial Charges	(15.4)	(5.3)	(10.4)	(32.7%)	94.5%	(29.2)	(15.7)	(46.2%)
Income Taxes Paid	(0.3)	(1.3)	(0.6)	85.3%	(55.0%)	(1.4)	(1.8)	26.6%
Other Cash Movements	0.5	0.2	0.3	(53.1%)	13.9%	0.6	0.5	(23.7%)
Recurrent Free Cash-Flow	32.3	22.3	12.7	(60.5%)	(42.9%)	54.9	35.1	(36.1%)
Taxes Paid	0.0	(0.6)	(1.2)	n.a.	103.0%	0.0	(1.9)	n.a.
Non-Recurrent CAPEX	(16.8)	(24.1)	(24.2)	44.5%	0.4%	(17.2)	(48.4)	181.5%
Cash Restructuring Payments	(3.9)	(6.1)	(4.0)	3.5%	(34.5%)	(11.8)	(10.1)	(14.3%)
Other	0.0	0.0	0.0	n.a.	n.a.	0.0	0.0	n.a.
Free Cash Flow Before Dividends & Financial Acquisitions	11.6	(8.6)	(16.8)	n.a.	96.0%	25.9	(25.3)	n.a.
Foreign Currency Debt Exchange Effect	0.0	(0.0)	0.0	(100.0%)	(100.0%)	0.0	(0.0)	n.a.
Dividends	(62.0)	0.0	(72.2)	16.4%	n.a.	(62.0)	(72.2)	16.4%
Total Free Cash Flow	(50.4)	(8.6)	(89.0)	76.6%	n.a.	(36.1)	(97.5)	170.1%
Debt Variation Through Accruals & Deferrals & Others	4.7	(7.2)	(3.9)	n.a.	(45.9%)	6.6	(11.1)	n.a.
Change in Net Financial Debt	(45.7)	(15.8)	(92.9)	103.1%	n.a.	(29.5)	(108.7)	268.5%

(1) This caption includes non-cash provisions included in EBITDA.

Operating Cash Flow after Investment was 60.5 million euros in 1H15 posting a decline yoy on the back of the aforementioned 12.8% yoy increase in recurrent CAPEX and to higher levels of working capital investment led by the increased commercial activity in comparison with 1H14. The increase in the negative cash-flow impact of non-cash items included in EBITDA-Recurrent CAPEX and Change in Working Capital is almost entirely explained by the increase in working capital requirements led by the much higher operational activity and investment driving increased trade balances, which is to be partially reverted during 2H15.

Recurrent FCF declined in 1H15 to 35.1 million euros due to the aforementioned increase in working capital which was partially offset by the lower level of interest paid and other financial charges which fell by 46.2% as a result of the lower average cost of debt due to the more favourable refinancing deals closed over the past quarters.

Non-recurrent cash impacts on CAPEX and OPEX in 1H15 amounted to 48.4 million euros and 10.1 million euros, respectively, and were mainly related with cash payments within the context of the cable/FTTH network deployment and additional commercial activity as explained in the section on CAPEX and to integration related CAPEX and OPEX from the restructuring/merger process.

Free Cash Flow before Dividends and Financial Acquisitions was negative by 25.3 million euros in 1H15. Adjusted for interest accruals and deferrals on debt variations, net financial debt increased by 108.7 million euros in 1H15. Most of this impact relates to the dividend payment of 72.2 million euros relating to 2014 results.

Consolidated Balance Sheet

Balance Sheet (Millions of Euros)	2014	**1H15**
Current Assets	468.0	514.4
Cash and Equivalents	21.1	8.9
Accounts Receivable, Net	359.2	380.7
Inventories, Net	33.0	40.4
Taxes Receivable	5.0	7.9
Prepaid Expenses and Other Current Assets	49.7	76.5
Non-current Assets	2,488.0	2,501.0
Investments in Group Companies	31.5	34.6
Intangible Assets, Net	1,164.2	1,184.4
Fixed Assets, Net	1,141.8	1,138.1
Deferred Taxes	141.1	128.7
Other Non-current Assets	9.3	15.2
Total Assets	2,955.9	3,015.4
Current Liabilities	1,102.0	757.4
Short Term Debt	503.5	172.5
Accounts Payable	391.7	386.3
Accrued Expenses	163.2	149.1
Deferred Income	29.1	30.7
Taxes Payable	14.6	18.6
Current Provisions and Other Liabilities	0.0	0.2
Non-current Liabilities	793.8	1,222.5
Medium and Long Term Debt	616.5	1,042.7
Non-current Provisions and Other Liabilities	177.3	179.9
Total Liabilities	1,895.8	1,980.0
Equity Before Non-Controlling Interests	1,050.3	1,025.9
Share Capital	5.2	5.2
Issue Premium	854.2	854.2
Own Shares	(11.8)	(2.9)
Reserves, Retained Earnings and Other	128.0	122.2
Net Income	74.7	47.3
Non-Controlling Interests	9.8	9.5
Total Shareholders' Equity	1,060.1	1,035.4
Total Liabilities and Shareholders' Equity	2,955.9	3,015.4

Capital Structure

At the end of 1H15, Net Financial Debt stood at 1,092.1 million euros.

Total financial debt at the end of 1H15 amounted to 1,109.6 million euros, which was offset with a cash and short-term investment position on the balance sheet of 17.5 million euros. At the end of 1H15, NOS also had 135 million euros of non-issued commercial paper programs. The all-in average cost of NOS' Net Financial Debt posted a decline to 3.41% in 2Q15 (3.54% for 1H15), comparing with 3.70% in 1Q15, 4.19% in 4Q14 and with 4.83% in FY14.

In line with its global funding strategy to extend maturities, diversify debt sources and reduce cost of debt, during 1H15, NOS announced a series of deals that contributed very favorably to the funding strategy:

- In February NOS had already renegotiated two commercial paper programmes with Caixa Geral de Depósitos/Caixa BI and Novo Banco/BESI. The new lines represented together a reduction in contracted debt from 250 million euros to 175 million euros, an extension of maturities to 2018 and significantly more favorable financial terms;

- In March, NOS announced a private placement bond issue totaling 150 million euros, with a bullet maturity of 7 years, priced at 172 bps spread (plus Euribor 6 Months);

- In May and June, NOS negotiated with Banco Popular and BBVA 2 additional commercial paper programmes of 50 million euros each, both with a 5 year maturity, and also issued a 50 million euro Bond at a fixed rate of 126 bps (95 bps plus fixed swap rate) and a bullet maturity of 4 years. This placement was organized by Caixa Bank.

The new financing deals, together with the reimbursement of the 200M Euros Retail Bond in June (which was paying a 6.85% coupon), are expected to continue to materialize additional savings over the coming quarters.

Net Financial Gearing was 51.3% at the end of 1H15 and Net Financial Debt / EBITDA (last 4 quarters) now stands at 2.1x. The average maturity of NOS' Net Financial Debt at the end of 1H15 was 3.8 years, compared with 2.6 years at the end of 2014.

Taking into account the loans issued at a fixed rate and the interest rate hedging operations in place the proportion of NOS' issued debt that is protected against variations in interest rates is approximately 41%.

Net Financial Debt (Millions of Euros)	2014	**1H15**	1H15 / 2014
Short Term	483.9	157.0	(67.6%)
Bank and Other Loans	468.6	136.1	(71.0%)
Financial Leases	15.2	20.9	36.7%
Medium and Long Term	522.7	952.7	82.3%
Bank and Other Loans	493.8	926.7	87.7%
Financial Leases	28.9	26.0	(10.3%)
Total Debt	1,006.6	1,109.6	10.2%
Cash, Short Term Investments and Intercompany Loans	23.1	17.5	(24.4%)
Net Financial Debt	983.5	1,092.1	11.1%
Net Financial Gearing (1)	48.1%	51.3%	3.2pp
Net Financial Debt / EBITDA	1.9x	2.1x	n.a.

(1) Net Financial Gearing = Net Financial Debt / (Net Financial Debt + Total Shareholders' Equity).

Risks and Uncertainties for Future Periods

Economic Risks

- **Economical Influences** - The Company is exposed to the adverse economic climate experienced in Portugal during the last years and consequently to a general reduction in consumption. In this context, there is a risk of the average revenue per user continuing to be affected by the high unemployment rate and the reduction in private and public consumption. NOS has carefully monitored this risk and adopted strategies that help to reduce it, as well as identified opportunities, in conjunction with the competition and technological innovation risk response strategies that are described below.

- **Competition –** This risk is related to the potential reduction in the prices of products and services, reduction in market share, loss of customers, increasing difficulty in obtaining and retaining customers. The management of competition risk has involved a strategy of investing in constant improvement in quality and innovation for the products and services provided, as well as diversification of supply, combination of offers related with different businesses of NOS and constant monitoring of customer preferences and/or needs. In addition, the conclusion of the process of operational integration of ZON and OPTIMUS businesses and the acquisiton of new businesses are a structuring factor to mitigate the risk of competition in the various customer segments regarding the telecommunciations market and they allow the acceleration the growth in some segments, particularly the business segment. These factors also allow the reinforcement of the competitive position of NOS Group before the movements of consolidation or acquisiton in the industry of telecommunications by the competitors.

- **Technological Innovation** – This risk is associated with the need for investment in increasingly competitive businesses (multimedia services, fixed and mobile internet, and fixed and cloud services) and subject to accelerated and sometimes unpredictable changes in technology. NOS believes that having an optimised technical infrastructure is a critical success factor that helps to reduce potential failures in the leverage of technological developments. The Company has managed this risk with the aim of ensuring that the technologies and businesses in which it is investing are accompanied by a similar development in demand and consequently an increasing in the use of the new services by customers.

- **Business Interruption and Catastrophic Losses (Business Continuity Management) -** Since the businesses of NOS are based above all on the use of technology, potential failures in technical-operational resources (network infrastructures, information systems applications, servers, etc.) may cause a significant risk of business interruption, if they are not well managed. This may imply other risks for the Company, such as adverse impacts on reputation, on the brand, on revenue integrity, on customer satisfaction and on service quality, which may lead to the loss of customers. In the electronic communications sector, business interruption and other associated risks may be aggravated because the services are in real time (voice, data/internet and TV), and customers typically have low tolerance for interruptions. Under the BCM - Business Continuity Management programme, NOS has implemented Business Continuity management processes that cover buildings, network infrastructures and the most critical activities that support communications services, for which it develops resilience strategies, continuity plans and actions, and incident/crisis management procedures. The continuity processes may be periodically subject to impact and risk analysis, as well as audits, tests and simulations.

- **Confidentiality, Integrity and Availability (Information Security Management) -** Bearing in mind that NOS is the biggest corporate group in the area of communications and entertainment in the country, its businesses make intensive use of information and of information and communication technologies that are typically subject to risks of availability, integrity, confidentiality and privacy. Under the ISM - Information Security Management programme, NOS has an Information Security Committee (GRC – Governance Risk and Compliance Committee) that is authorised by the Executive Committee to, among other responsibilities, monitor the risks associated with security and privacy, propose rules and organise awareness campaigns. The different business units, under the supervision of the Committee, develop a plan of internal actions with the aim of consolidating information security management processes and controls. For specific issues related to the confidentiality and privacy of personal data, the Company has a Chief Personal Data Protection Officer (CPDPO) who is responsible for compliance with laws and regulations applicable to data processing, acts in the name of the Company in interaction with the national regulatory authority for data protection (CNPD - National Commission for Data Protection) and promotes the adoption of data protection principles, in line with international standards and best practices. Employees and partners assume obligations of confidentiality, secrecy and protection of personal data and must not transmit to any third parties the data to which they have access in the course of and as a result of their duties. The obligations are reinforced through the signature of terms of liability by its staff and partners. In addition, the Company has some business segments and processes, namely related to customer management (support, billing and collection), and to services of data centres of Mainroad Serviços em Tecnologia de Informação S.A. (housing service), certified to ISO 27001 - Information Security Management Systems.

- **Service Fraud (Management of Telecommunications Fraud)** - Customer or third party fraud is a common risk in the telecommunications sector. Perpetrators of fraud may take advantage of the potential vulnerabilities of the network process or of the communications service. In view of this situation, NOS has a team dedicated to Service Fraud and Security Management. In order to encourage secure use of communications services, it has developed various initiatives and implemented controls, including the provision of an internal platform with information on security risks and service fraud, as well as the continuous improvement of processes to monitor and mitigate these risks. Fraud controls are implemented to prevent anomalous situations of fraudulent use or situations of misuse (piracy) with a direct impact on revenue. NOS has also joined initiatives developed by the GSM Association (GSMA), including the GSMA Fraud Forum and the GSMA Security Group.

- **Revenue and Cost Assurance (Enterprise Business Assurance)** - Telecommunications businesses are subject to inherent operational risks associated with the assurance and monitoring of customer revenue and costs, from a viewpoint of revenue flows and platform integrity. Billing processes perform revenue controls, with regard to invoicing quality. NOS also has a Revenue Assurance area that applies processes to control revenue loss (underinvoicing) and cost control with the aim of presenting a consistent chain of revenue and costs, from the moment the customer enters our provisioning systems, involving the provision of the communications service, up to the time of invoicing and charging.

Financial risks

- **Tax** – The Company is exposed to changes in tax legislation and varied interpretations of the application of tax and tax related regulations in several ways. The Finance Department contributes to management of this risk, monitoring all tax regulations and seeking to guarantee maximum tax efficiency. This department may also be supported by tax consultants whenever the questions being analysed are more critical and, for this reason, require interpretation by an independent entity.

- **Credit and Collections** – These risks are associated with a reduction in receipts from customers due to possible ineffective or deficient operation of collection procedures and/or changes in the legislation that regulates the provision of essential services and have an impact on the recovery of customer debts. The current adverse economic climate also significantly contributes to the worsening of these risks. They are mitigated through the definition of a monthly plan of collection actions, their follow-up and validation and the review of results. Where necessary, the procedure and the timings of these actions are adjusted to ensure the receipt of customer debts. The aim is to ensure that the amounts owed are effectively collected within the periods negotiated without affecting the financial health of the Company. In addition, NOS has credit insurance and specific areas for Credit Control, Collections and Litigation Management and, regarding some business segments, also subscribes credit insurances.

Legal risks

- **Legal and Regulatory** – Regulatory aspects are important in the telecommunications business, subject to specific rules, mainly defined by the sector regulator ICP – ANACOM (National Communications Authority). On a European level there are also regulations that have a relevant effect on the market, notably those measures established under the Connected Continent. Similarly, NOS has to comply with regulatory frameworks defined on a European level that have a direct effect in Portugal. In addition to specific rules related to the telecommunications sector, NOS is also subject to horizontal legislation, including competition law. The Legal and Regulatory Department assists in the management of these risks, monitoring changes in applicable laws and regulations, given the threats and opportunities they represent for the competitive position of NOS in the business sectors in which it operates.

Lisbon 28 July 2015

The Board of Directors

Consolidated **Financial Statements**

Consolidated statement of financial position at 30 June 2014 (reported and restated), 31 December 2014 and 30 June 2015

(Amounts stated in thousands of euros)

	NOTES	30-06-2014 REPORTED	30-06-2014 RESTATED	31-12-2014	30-06-2015
ASSETS					
NON - CURRENT ASSETS					
Tangible assets	7	1,084,710	1,084,710	1,141,770	1,138,114
Investment property		777	777	708	686
Intangible assets	8	1,123,040	1,147,206	1,164,207	1,184,388
Investments in jointly controlled companies and associated companies	9	31,712	31,712	31,544	34,639
Accounts receivable - other		2,711	2,711	4,311	10,240
Tax receivable	10	4,232	4,232	4,232	4,151
Available-for-sale financial assets		18,423	18,423	77	77
Deferred income tax assets	11	134,919	141,955	141,115	128,705
TOTAL NON - CURRENT ASSETS		**2,400,524**	**2,431,726**	**2,487,964**	**2,501,000**
CURRENT ASSETS:					
Inventories		37,421	37,421	33,013	40,355
Accounts receivable - trade	12	310,672	310,672	331,527	357,284
Accounts receivable - other		31,839	31,839	27,652	23,391
Tax receivable	10	17,653	17,653	5,022	7,902
Prepaid expenses		29,736	29,736	47,742	74,944
Non-current assets held-for-sale		678	678	1,574	1,574
Derivative financial instruments	13	8	8	368	26
Cash and cash equivalents	14	42,799	42,799	21,070	8,903
TOTAL CURRENT ASSETS		**470,806**	**470,806**	**467,968**	**514,379**
TOTAL ASSETS		**2,871,330**	**2,902,532**	**2,955,931**	**3,015,379**
SHAREHOLDER'S EQUITY					
Share capital	15.1	5,152	5,152	5,152	5,152
Capital issued premium	15.2	854,219	854,219	854,219	854,219
Own shares	15.3	(2,619)	(2,619)	(11,791)	(2,949)
Legal reserve	15.4	3,556	3,556	3,556	3,556
Other reserves and accumulated earnings	15.4	119,805	119,805	124,464	118,623
Net income		43,676	43,676	74,711	47,309
EQUITY BEFORE NON - CONTROLLING INTERESTS		**1,023,789**	**1,023,789**	**1,050,311**	**1,025,910**
Non-controlling interests	28	9,855	9,855	9,818	9,495
TOTAL EQUITY		**1,033,644**	**1,033,644**	**1,060,129**	**1,035,405**
LIABILITIES					
NON - CURRENT LIABILITIES					
Borrowings	16	705,748	705,748	616,526	1,042,675
Provisions	17	95,820	127,022	127,221	133,821
Accrued expenses		27,502	27,502	24,954	23,835
Deferred income		6,334	6,334	5,984	5,529
Derivative financial instruments	13	1,422	1,422	1,899	1,385
Deferred income tax liabilities	11	15,747	15,747	17,237	15,289
TOTAL NON - CURRENT LIABILITIES		**852,573**	**883,775**	**793,821**	**1,222,534**
CURRENT LIABILITIES:					
Borrowings	16	424,918	424,918	503,508	172,520
Accounts payable - trade	18	284,534	284,534	340,721	342,196
Accounts payable - other		60,684	60,684	50,934	44,142
Tax payable	10	26,839	26,839	14,576	18,596
Accrued expenses		158,370	158,370	163,165	149,090
Deferred income		28,040	28,040	29,076	30,743
Derivative financial instruments	13	1,728	1,728	-	153
TOTAL CURRENT LIABILITIES		**985,113**	**985,113**	**1,101,980**	**757,440**
TOTAL LIABILITIES		**1,837,686**	**1,868,888**	**1,895,801**	**1,979,974**
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY		**2,871,330**	**2,902,532**	**2,955,931**	**3,015,379**

The Notes to the Financial Statements form an integral part of the consolidated statement of financial position as at 30 June 2015.

Accountant The Board of Directors

Consolidated statement of income by nature
for the quarters and semesters ended on 30 June 2014 and 2015

(Amounts stated in thousands of euros)

	NOTES	2nd QUARTER 14	6M 14	2nd QUARTER 15	6M 15
REVENUES:					
Services rendered		324,855	647,996	337,464	666,688
Sales		13,154	24,585	14,917	27,047
Other operating revenues		6,966	9,738	3,491	6,212
	19	**344,975**	**682,319**	**355,872**	**699,947**
COSTS, LOSSES AND GAINS:					
Wages and salaries	20	18,720	39,775	20,301	41,902
Direct costs	21	100,482	197,205	110,703	211,944
Costs of products sold	22	10,887	22,130	11,412	21,220
Marketing and advertising		5,889	12,014	5,052	11,610
Support services	23	21,520	44,117	22,710	47,622
Supplies and external services	23	46,237	93,294	43,237	89,034
Other operating losses / (gains)		366	752	185	307
Taxes		4,308	10,189	6,437	13,297
Provisions and adjustments	24	2,926	(673)	(2,647)	(3,387)
Net losses / (gains) of affiliated companies	9 and 25	(2,706)	(7,609)	(540)	(7,883)
Depreciation, amortisation and impairment losses	26	86,232	170,103	90,690	178,384
Reestructuring costs	20	11,821	13,047	5,145	7,772
Losses / (gains) on sale of assets, net		11	26	167	152
Other losses / (gains) non recurrent net		799	2,388	53	3,531
		307,492	**596,758**	**312,905**	**615,505**
INCOME BEFORE FINANCIAL RESULTS AND TAXES		**37,483**	**85,561**	**42,967**	**84,442**
Financial costs	27	8,915	18,588	7,518	15,000
Net foreign exchange losses / (gains)		(39)	10	169	901
Net losses / (gains) on financial assets		347	929	249	249
Net other financial expenses / (income)	27	4,944	9,827	2,880	6,466
		14,167	**29,354**	**10,816**	**22,616**
INCOME BEFORE TAXES		**23,316**	**56,207**	**32,151**	**61,826**
Income taxes	11	4,794	12,121	8,205	14,660
NET CONSOLIDATED INCOME		**18,522**	**44,086**	**23,946**	**47,166**
ATTRIBUTABLE TO:					
Non-controlling interests	28	109	410	(120)	(143)
NOS GROUP SHAREHOLDERS		**18,413**	**43,676**	**24,066**	**47,309**
EARNINGS PER SHARES					
Basic - euros	29	0.04	0.08	0.05	0.09
Diluted - euros	29	0.04	0.08	0.05	0.09

As standard practice, only the annual accounts are audited, the quarterly results are not audited separately.

The Notes to the Financial Statements form an integral part of the consolidated statement of income by nature for the semester ended on 30 June 2015.

Accountant The Board of Directors

Consolidated statement of comprehensive income
for the quarters and semesters ended on 30 June 2014 and 2015

(Amounts stated in thousands of euros)

	NOTES	2nd QUARTER 14	6M 14	2nd QUARTER 14	6M 15
NET CONSOLIDATED INCOME		**18,522**	**44,086**	**23,946**	**47,166**
OTHER INCOME					
ITENS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:					
Accounting for equity method	9	267	(8)	(586)	(626)
Fair value of interest rate swap	13	(315)	(468)	1,019	540
Deferred income tax - interest rate swap	13	89	129	(230)	(122)
Fair value of exchange rate forward	13	52	140	(532)	(521)
Deferred income tax - exchange rate forward	13	(16)	(39)	152	182
Currency translation differences and others		(5)	(22)	(742)	(783)
INCOME RECOGNISED DIRECTLY IN EQUITY		**72**	**(268)**	**(919)**	**(1,330)**
TOTAL COMPREHENSIVE INCOME		**18,594**	**43,818**	**23,027**	**45,836**
ATTRIBUTABLE TO:					
NOS Group Shareholders		18,485	43,408	23,147	45,979
Non-controlling interests		109	410	(120)	(143)

As standard practice, only the annual accounts are audited, the quarterly results are not audited separately.

The Notes to the Financial Statements form an integral part of the consolidated statement of comprehensive income for the semester ended on 30 June 2015.

Accountant

The Board of Directors

Consolidated statement of changes in shareholders' equity for the semesters ended on 30 June 2014 and 2015

(Amounts stated in thousands of euros)

	NOTES	SHARE CAPITAL	CAPITAL ISSUED PREMIUM	OWN SHARES	OWN SHARES, DISCOUNTS AND PREMIUMS	LEGAL RESERVE	OTHER RESERVES AND ACCUMULATED EARNINGS	NET INCOME	NON - CONTROLLING INTERESTS	TOTAL
BALANCE AS AT 1 JANUARY 2014		**5,152**	**854,219**	**(4)**	**(1,999)**	**3,556**	**178,864**	**10,810**	**9,615**	**1,060,213**
Result appropriation										
Transfers to reserves		-	-	-	-	-	10,810	(10,810)	-	-
Dividends paid	15.4	-	-	-	-	-	(61,818)	-	(194)	(62,012)
Aquisition of own shares	15.3	-	-	(37)	(19,165)	-	-	-	-	(19,202)
Reimbursement and payment of the loan of own shares	15.3	-	-	(10)	(4,859)	-	4,869	-	-	-
Reimbursement and payment of the loan of own shares	15.3	-	-	6	2,942	-	(4,838)	-	-	(1,890)
Distribution of own shares - share incentive scheme	15.3	-	-	21	10,911	-	(10,932)	-	-	-
Distribuition of own shares - other remunerations	15.3	-	-	18	9,557	-	(223)	-	-	9,352
Share Plan - costs incurred in the period and others	33	-	-	-	-	-	3,592	-	24	3,616
Comprehensive Income		-	-	-	-	-	(268)	43,676	410	43,818
Other		-	-	-	-	-	(251)	-	-	(251)
BALANCE AS AT 30 JUNE 2014		**5,152**	**854,219**	**(6)**	**(2,613)**	**3,556**	**119,805**	**43,676**	**9,855**	**1,033,644**
BALANCE AS AT 1 JANUARY 2015		**5,152**	**854,219**	**(25)**	**(11,766)**	**3,556**	**124,464**	**74,711**	**9,818**	**1,060,129**
Result appropriation										
Transfers to reserves		-	-	-	-	-	74,711	(74,711)	-	-
Dividends paid	15.4	-	-	-	-	-	(72,043)	-	(173)	(72,216)
Aquisition of own shares	15.3	-	-	(1)	(400)	-	-	-	-	(401)
Distribution of own shares - share incentive scheme	15.3	-	-	19	8,955	-	(9,956)	-	-	(982)
Distribuition of own shares - other remunerations	15.3	-	-	1	268	-	148	-	-	417
Share Plan - costs incurred in the period and others	33	-	-	-	-	-	2,730	-	6	2,736
Comprehensive Income		-	-	-	-	-	(1,330)	47,309	(143)	45,836
Other		-	-	-	-	-	(101)	-	(13)	(114)
BALANCE AS AT 30 JUNE 2015		**5,152**	**854,219**	**(6)**	**(2,943)**	**3,556**	**118,623**	**47,309**	**9,495**	**1,035,405**

As standard practice, only the annual accounts are audited, the quarterly are not audited separately.

The Notes to the Financial Statements form an integral part of the consolidated statement of changes in shareholders' equity for the semester ended on 30 June 2015.

Accountant The Board of Directors

Consolidated statement of cash flows
for the semesters ended on 30 June 2014 and 2015

(Amounts stated in thousands of euros)

	NOTES	6M 14	6M 15
OPERATING ACTIVITIES			
Collections from clients		780,081	810,084
Payments to suppliers		(463,959)	(519,890)
Payments to employees		(45,880)	(56,829)
Receipts / (Payments) receipts relating to income taxes		(1,740)	(2,437)
Other cash receipts / (payments) related with operating activities		(28,186)	(2,000)
CASH FLOW FROM OPERATING ACTIVITIES (1)		**240,316**	**228,928**
INVESTING ACTIVITIES			
CASH RECEIPTS RESULTING FROM			
Financial investments		50	-
Tangible assets		334	424
Intangible assets		-	6
Loans granted		1,637	-
Interest and related income		3,633	4,063
Other		1	1
		5,655	**4,494**
PAYMENTS RESULTING FROM			
Tangible assets		(108,600)	(137,373)
Intangible assets		(49,740)	(98,908)
		(158,340)	**(236,281)**
CASH FLOW FROM INVESTING ACTIVITIES (2)		**(152,685)**	**(231,787)**
FINANCING ACTIVITIES			
CASH RECEIPTS RESULTING FROM			
Borrowings		1,661,276	1,407,742
		1,661,276	**1,407,742**
PAYMENTS RESULTING FROM			
Borrowings		(1,647,550)	(1,309,000)
Lease rentals (principal)		(15,610)	(11,335)
Interest and related expenses		(32,396)	(24,390)
Dividends	15.4	(62,013)	(72,216)
Aquisition of own shares	15.3	(19,202)	(401)
		(1,776,771)	**(1,417,342)**
CASH FLOW FROM FINANCING ACTIVITIES (3)		**(115,495)**	**(9,600)**
Change in cash and cash equivalents (4)=(1)+(2)+(3)		(27,864)	(12,459)
Effect of exchange differences		(18)	(154)
Cash and cash equivalents at the beginning of the year		70,142	19,591
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**42,260**	**6,978**
Cash and cash equivalents	14	42,799	8,903
Bank overdrafts	16	(539)	(1,925)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**42,260**	**6,978**

As standard practice, only the annual accounts are audited, the quarterly are not audited separately.

The Notes to the Financial Statements form an integral part of the consolidated statement of cash flows for the semester ended on 30 June 2015.

Accountant The Board of Directors

Notes to the consolidated financial statements as at 30 June 2015

(Amounts stated in thousands of euros, unless otherwise stated)

1. Introductory Note

NOS, SGPS, S.A. ("NOS" or "Company"), formerly named ZON OPTIMUS, SGPS, S.A. ("ZON OPTIMUS") and until 27 august 2013 named ZON Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A. ("ZON"), with Company headquarters registered at Rua Actor Antonio Silva, 9, Campo Grande, was established by Portugal Telecom, SGPS, S.A. ("Portugal Telecom") on July 15, 1999 for the purpose of implementing its multimedia business strategy.

During the 2007 financial year, Portugal Telecom proceeded with the spin-off of ZON through the attribution of its participation in the company to their shareholders, which become fully independent from Portugal Telecom.

During the 2013 financial year, ZON and Optimus, SGPS, S.A. ("Optimus SGPS") have merged through the incorporation of Optimus SGPS into ZON. Thereafter, the Company adopted the designation of ZON OPTIMUS, SGPS, S.A..

On 20 June 2014, as a result of ZON TV Cabo's merger into Optimus and the launch of the new brand "NOS" on 16 May 2014, the General Meeting of Shareholders approved the change of the Company's name to NOS, SGPS, S.A.

The businesses operated by NOS and its associated companies, form the "NOS Group" or "Group", which includes cable and satellite television services, voice and Internet access services, video production and sale, advertising on Pay TV channels, cinema exhibition and distribution, the production of channels for Pay TV, management of data centers and consulting services in IT.

NOS shares are listed on the Euronext Lisbon market. The Group's shareholder's structure as at 30 June 2015 is shown in Note 15.

Cable and satellite television in Portugal is mainly provided by NOS Comunicações, S.A. ("NOS SA") and its subsidiaries, NOS Açores and NOS Madeira. These companies carry out: a) cable and satellite television distribution; b) the operation of the latest generation mobile communication network, GSM/UMTS/LTE; c) the operation of electronic communications services, including data and multimedia communication services in general; d) IP voice services ("VOIP" - Voice over IP); e) Mobile Virtual Network Operator ("MVNO"), and f) the provision of consultancy and similar services directly or indirectly related to the above mentioned activities and services. The business of NOS SA, NOS Açores and NOS Madeira is regulated by Law no. 5/2004 (Electronic Communications Law), which establishes the legal regime governing electronic communications networks and services.

NOSPUB and NOS Lusomundo TV operate in the television and content production business, and currently produce films and series channels, which are distributed, among other operators, by NOS SA and its subsidiaries. NOSPUB also manages the advertising space on Pay TV channels and in the cinemas of NOS Cinemas.

NOS Audiovisuais and NOS Cinemas, together with their associated companies, operate in the audiovisual sector, which includes video production and sale, cinema exhibition and distribution, and the acquisition/negotiation of Pay TV and VOD (video-on-demand) rights.

NOS Sistemas is a company dedicated to data center management and consulting services in IT.

A listing of the other Group companies and their respective business is included in this report. (Annexes)

These Notes to the Consolidated Financial Statements follow the order in which the items are shown in the consolidated financial statements.

The consolidated financial statements for the semester ended on 30 June 2015 were approved by the Board of Directors and their issue authorized on 28 July 2015.

The Board of Directors believes that the financial statements give a true and fair view of the Company's operations, financial performance and cash flows.

2. Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are described below. These policies were consistently applied to all the financial years presented, unless otherwise indicated.

2.1. Principles of presentation

The consolidated financial statements of NOS were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Committee ("IFRIC") or the previous Standing Interpretations Committee ("SIC"), adopted by the European Union, in force as at 1 January 2015.

These consolidated finantial statements are presented in accordance with IAS 34 — Interim Financial Reporting ("IAS 34"). Therefore, these financial statements do not include all the information required by the IFRS and so they should be analysed together with the consolidated financial statements of the year ended at 31 December 2014.

The consolidated financial statements are presented in euros as this is the main currency of the Group's operations. The financial statements of subsidiaries located abroad were converted into euros in accordance with the accounting policies described in Note 2.3.18.

The consolidated financial statements were prepared on a going concern basis from the ledgers and accounting records of the companies included in the consolidation (Annex A)), using the historical cost convention, adjusted where necessary for the valuation of financial assets and liabilities (including derivatives) at their fair value.

In preparing the consolidated financial statements in accordance with IFRS, the Board used estimates, assumptions and critical judgments with impact on the value of assets and liabilities and the recognition of income and costs in each reporting period. Although these estimates were based on the best information available at the date of preparation of the consolidated financial statements, current and future results may differ from these estimates. The areas involving a higher element of judgment and estimates are described in Note 3.

Changes in accounting policies and disclosures

The standards and interpretations that became effective as of 1 January 2015 are as follows:

- IAS 19 (Amendment), "Employee benefits" (effective for annual periods beginning on or after 1 July 2014). This amendment clarifies the circumstances in which employee contribution plans for post-employment benefits are a reduction in the cost of short-term benefits. This standard is not applicable to the Group.

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have not yet been endorsed by the European Union, at the date of approval of these financial statements:

- IFRS 9 (new), "Financial instruments – classification and measurement" (effective date to be designated). The initial phase of IFRS 9 forecasts two types of measurement: amortised cost and fair value. All equity instruments are measured at fair value. A financial instrument is measured at amortised cost only if the company has it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise, financial instruments are measured at fair value through profit and loss.

- IFRS 7 and 9 (Amendment), "Financial Instruments" (effective date to be designated). The amendment to IFRS 9 is part of the draft revision of IAS 39 and establishes the requirements for the application of hedge accounting. IFRS 7 was also revised as a result of this amendment.

- IFRS 10 and IAS 28 (amendments), "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (effective for annual periods beginning on or after 1 January 2016). The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

- IFRS 10, IFRS 12 and IAS 28 (amendments), "Investment Entities: Applying the consolidation exception "(effective from annual periods beginning on or after 1 January 2016). These amendments deal with issues that arose in the application of exception of consolidation of investment entities. This standard is not applicable to the group.

- IFRS 11 (amendment), "Accounting for acquisitions of interest in Joint Operations" (effective for annual periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

- IFRS 14 (new), "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016). This standard's main purpose is to improve comparability of financial reports for companies in regulated markets, allowing the companies that currently record assets and liabilities in result of the regulation form the markets where they operate, in accordance with the adopted accounting principles, do not have the need to eliminate those assets and liabilities in the first time adoption of the IFRS. This standard will have no impact on the Group's consolidated financial statements.

- IFRS 15 (new), “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2017). This standard establishes a single, comprehensive framework for revenue recognition. The framework will be applied consistently across transactions, industries and capital markets, and will improve comparability in the ‘top line’ of the financial statements of companies globally. IFRS 15 replaces the following standards and interpretations: IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue — Barter Transactions Involving Advertising Services.

- IAS 1 (amendment), “Disclosure initiative” (effective for annual periods beginning on or after 1 January 2016). This amendment has as main objective to encourage companies to apply professional judgment to determine what information to disclose in its financial statements. For example, the amendments make it clear that the materiality applies to the whole of the financial statements and that the inclusion of irrelevant information could difficult the interpretation of financial disclosures.

- IAS 16 and 38 (amendment), “Clarification of acceptable methods of depreciation and amortisation” (effective for annual periods beginning on or after 1 January 2016). This amendment has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

- IAS 16 and 41 (amendment), “Agriculture: Bearer Plants” (effective for annual periods beginning on or after 1 January 2016). IAS 41 required all biological assets related to agricultural activity to be measured at fair value less costs to sell. This amendment decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16, because their operation is similar to that of manufacturing. This standard is not applicable to the Group.

- IAS 27 (amendments), “Equity Method in Separate Financial Statements” (effective for annual periods beginning on or after 1 January 2016). This amendment permits choose to presentation, in the separate financial statements, for investments in subsidiaries, jointly controlled companies or associates in accordance with Equity Method. This standard will have no impact on the Group’s consolidated financial statements.

- Improvements to Financial Reporting Standards (2012-2014 cycle effective for annual periods beginning on or after 1 January 2016). These improvements involve the review of several standards.

The Group is calculating the impact of these changes and will apply these standards as soon as they become effective.

Impact of changes in fair value

Following the preliminary fair value allocation of the acquired assets and assumed liabilities related to the merger between ZON and Optimus SGPS, the price allocation of this business combination was subject to alterations during one year since the acquisition date, as established by IFRS 3 – Business Combinations.

During the one year period, ended on 26 August 2014, the Company changed the fair value allocation of the acquired assets and assumed liabilities. This change, in result of a revaluation of the litigation and registered deferred taxes, was applied retrospectively, as allowed by IFRS 3 - Business Combinations.

The effects resulting of changes in the fair value of the acquired assets and the liabilities assumed in the consolidated statement of financial position are presented in the table below.

	31 DECEMBER 2013		
	REPORTED	CHANGES IN THE FAIR VALUE	RESTATED
ASSETS			
Intangible assets	1,111,107	49,492	1,160,599
Deferred income tax assets	165,416	(8,949)	156,467
Other assets	1,612,807	-	1,612,807
TOTAL ASSETS	**2,889,330**	**40,543**	**2,929,873**
LIABILITIES			
Provisions	92,429	40,543	132,972
Other liabilities	1,736,688	-	1,736,688
TOTAL LIABILITIES	**1,829,117**	**40,543**	**1,869,660**
TOTAL EQUITY	**1,060,213**	**-**	**1,060,213**
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	**2,889,330**	**40,543**	**2,929,873**

	30 JUNE 2014		
	REPORTED	CHANGES IN THE FAIR VALUE	RESTATED
ASSETS			
Intangible assets	1,123,040	24,166	1,147,206
Deferred income tax assets	134,919	7,036	141,955
Other assets	1,613,371	-	1,613,371
TOTAL ASSETS	**2,871,330**	**31,202**	**2,902,532**
LIABILITIES			
Provisions	95,820	31,202	127,022
Other liabilities	1,741,866	-	1,741,866
TOTAL LIABILITIES	**1,837,686**	**31,202**	**1,868,888**
TOTAL EQUITY	**1,033,644**	**-**	**1,033,644**
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	**2,871,330**	**31,202**	**2,902,532**

These changes did not have any impact in the consolidated statements of income by nature, consolidated statement of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statement of cash flows.

2.2. Bases of consolidation

Controlled companies

Controlled companies were consolidated by the full consolidation method. Control is deemed to exist when the Group is exposed or has rights, as a result of their involvement, to a variable return of the entity's activities, and has capacity to affect this return through the power over the entity. Namely, when the Company directly or indirectly holds a majority of the voting rights at a General Meeting of Shareholders or has the power to determine the financial and operating policies. In situations where the Company has, in substance, control of other entities created for a specific purpose, although it does not directly hold equity in them, such entities are consolidated by the full consolidation method. The entities in these situations are listed in Annex A).

The interest of third parties in the equity and net profit of such companies income presented separately in the consolidated statement of financial position and in the consolidated statement, respectively, under the item "Non-controlling Interests" (Note 28).

The identifiable acquired assets and the liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date, irrespective of the existence of non-controlled interests. The excess of acquisition cost over the fair value of the Group's share of identifiable acquired assets and liabilities is stated in Goodwill. Where the acquisition cost is less than the fair value of the identified net assets, the difference is recorded as a gain in the income statement in the period in which the acquisition occurs.

The interests of minority shareholders are initially recognised as their proportion of the fair value of the identifiable assets and liabilities.

On the acquisition of additional equity shares in companies already controlled by the Group, the difference between the share of capital acquired and the corresponding acquisition value is recognised directly in equity.

Where an increase in position in the capital of an associated company results in the acquisition of control, with the latter being included in the consolidated financial statements by the full consolidation method, the share of the fair values assigned to the assets and liabilities, corresponding to the percentages previously held, is stated in the income statement.

The directly attributable transaction costs are recognised immediately in profit or loss.

The results of companies acquired or sold during the year are included in the income statements as from the date of acquisition or until the date of their disposal, respectively.

Intercompany transactions, balances, unrealised gains on transactions and dividends distributed between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction shows evidence of impairment of the transferred asset.

Where necessary, adjustments are made to the financial statements of controlled companies in order to align their accounting policies with those of the Group.

Jointly controlled companies

The classification of investments as jointly controlled companies is determined based on the existence of shareholder agreements which show and regulate the joint control. Financial investments of jointly controlled companies (Annex C)) are stated by the equity method. Under this method, financial investments are adjusted periodically by an amount corresponding to the share in the net profits of jointly controlled companies, as a contra entry in "Net Losses / (gains) of affiliated companies" in the income statement. Direct changes in the post-acquisition equity of associated companies are recognised as the value of the shareholding as a contra entry in reserves, in equity.

Additionally, financial investments may also be adjusted for recognition of impairment losses.

Any excess of acquisition cost over the fair value of identifiable net assets and liabilities (goodwill) is recorded as part of the financial investment of jointly controlled companies and subject to impairment testing when there are indicators of loss of value. Where the acquisition cost is less than the fair value of the identified net assets, the difference is recorded as a gain in the income statement in the period in which the acquisition occurs.

Losses in jointly controlled companies which exceed the investment made in them are not recognised, except where the Group has entered into undertakings with that company.

Dividends received from these companies are recorded as a reduction in the value of the financial investments.

Associated companies

An associated company is a company in which the Group exercises significant influence through participation in decisions about its financial and operating policies, but in which does not have control or joint control.

Any excess of the acquisition cost of a financial investment over the fair value of the identifiable net assets is recorded as goodwill and is added to the value of the financial investment and its recovery is reviewed annually or whenever there are indications of possible loss of value. Where the acquisition cost is less than the fair value of the identified net assets, the difference is recorded as a gain in the statement of comprehensive income in the period in which the acquisition occurs.

Financial investments in the majority of associated companies (Annex B)) are stated by the equity method. Under this method, financial investments are adjusted periodically by an amount corresponding to the share in the net profits of associated companies, as a contra entry in "Net Losses / (gains) of affiliated companies" in the income statement. Direct changes in the post-acquisition equity of associated companies are recognised as the value of the shareholding as a contra entry in reserves, in equity. Additionally, financial investments may also be adjusted for recognition of impairment losses.

Losses in associated companies which exceed the investment made in them are not recognised, except where the Group has entered into undertakings with that associated company.

Dividends received from these companies are recorded as a reduction in the value of the financial investments.

Balances and transactions between group companies

Balances and transactions and unrealised gains between Group companies, and between them and the parent company, are eliminated in the consolidation.

The part of unrealised gains arising from transactions with associated companies or jointly controlled companies attributable to the Group is eliminated in the consolidation. Unrealised losses are similarly eliminated except where they show evidence of impairment of the transferred asset.

2.3 Accounting policies

2.3.1 Segment reporting

As stipulated in IFRS 8, the Group presents operating segments based on internally produced management information.

Operating segments are reported consistently with the internal management information model provided to the chief operating decision maker of the Group, who is responsible for allocating resources to the segment and for assessing its performance, and for taking strategic decisions.

2.3.2 Classification of the statement of financial position and income statement

Realisable assets and liabilities due in less than one year from the date of the statement of financial position are classified as current in assets and liabilities, respectively.

In accordance with IAS 1, "Restructuring costs", "Losses / (gains) on disposal of assets " and "Other losses / (gains)" reflect unusual expenses that should be disclosed separately from the usual lines items, to avoid distortion of the financial information from regular operations.

2.3.3 Tangible assets

Tangible assets are stated at acquisition cost, less accumulated depreciation and impairment losses, where applicable. Acquisition cost includes, in addition to the purchase price of the asset: (i) costs directly attributable to the purchase; and (ii) the estimated costs of decommissioning and removal of the assets and restoration of the site, which in Group applies to the cinema operation business, telecommunication towers and offices (Notes 2.3.12 and 7).

Estimated losses resulting from the replacement of equipment before the end of its useful life due to technological obsolescence are recognised by a deduction from the corresponding asset as a contra entry in profit and loss. The costs of current maintenance and repairs are recognised as a cost when they are incurred. Significant costs incurred on renovations or improvements to the asset are capitalised and depreciated over the corresponding estimated payback period when it is probable that there will be future economic benefits associated with the asset and when these can be measured reliably.

Non-current assets held for sale

Non-current assets (or discontinued operations), are classified as held for sale if their value is realisable through a sale transaction rather than through their continued use.

This situation is deemed to arise only where: (i) the sale is highly probable and the asset is available for immediate sale in its present condition; (ii) the Group has given an undertaking to sell; and (iii) it is expected that the sale will be realised within 12 months. In this case, non-current assets are valued at the lesser of their book value or their fair value less the sale costs.

From the time that certain tangible assets become deemed as "held for sale", the depreciation of such assets ceases and they are classified as non-current assets held for sale. Gains and losses on disposals of tangible assets, corresponding to the difference between the sale price and the net book value, are recognised in results in "Losses/gains on disposals of assets".

Depreciation

Tangible assets are depreciated from the time they are completed or ready to be used. These assets, less their residual value, are depreciated by the straight-line method, in twelfths, from the month in which they become available for use, according to the useful life of the assets defined as their estimated utility.

The depreciation rates used correspond to the following estimated useful lives:

	2014 (YEARS)	2015 (YEARS)
Buildings and other constructions	2 - 50	2 - 50
Technical equipment:		
Network Installations and equipment	7 - 40	7 - 40
Terminal equipment	3 - 8	2 - 8
Other telecommunication equipment	3 - 10	3 - 10
Other technical equipment	1 - 16	1 - 16
Transportation equipment	3 - 4	3 - 4
Administrative equipment	2 - 10	2 - 10
Other tangible assets	4 - 8	4 - 8

2.3.4 Intangible assets

Intangible assets are stated at acquisition cost, less accumulated amortisation and impairment losses, where applicable. Intangible assets are recognised only where they generate future economic benefits for the Group and where they can be measured reliably.

Intangible assets consist mainly of goodwill, satellite and distribution network capacity utilisation rights, customer portfolios, costs incurred in raising customers' loyalty contracts, telecom and software licenses, content utilisation rights and other contractual rights.

Goodwill

Goodwill represents the excess of acquisition cost over the net fair value of the assets, liabilities and contingent liabilities of a subsidiary, jointly controlled company or associated company at the acquisition date, in accordance with IFRS 3.

Goodwill is recorded as an asset and included in "Intangible Assets" (Note 8) in the case of a controlled company, and in "Investments in jointly controlled companies and associated companies" (Note 9) in the case of jointly controlled company or an associated company.

Goodwill is not amortised and is subject to impairment tests at least once a year, on a specified date, and whenever there are changes in the test's underlying assumptions at the date of the statement of financial position which may result in a possible loss of value. Any impairment loss is recorded immediately in the income statement in "Impairment losses" and is not liable to subsequent reversal.

For the purposes of impairment tests, goodwill is attributed to the cash-generating units to which it is related (Note 8), which may correspond to the business segments in which the Group operates, or a lower level.

Internally generated intangible assets

Internally generated intangible assets, including expenditure on research, are expensed when they are incurred. Research and development costs are only recognised as assets where the technical capability to complete the intangible asset is demonstrated and where it is available for use or sale.

Industrial property and other rights

Assets classified under this item relate to the rights and licenses acquired under contract by the Group to third parties and used in realising the Group's activities, and include:

- Satellite capacity utilisation rights;
- Distribution network utilisation rights;
- Telecom licenses;
- Software licenses;
- Customer portfolios;
- Costs incurred in raising customers loyalty contracts;
- Content utilisation rights;
- Other contractual rights.

Intangible assets in-progress

Group companies periodically carry out an impairment assessment of intangible assets in-progress. This impairment assessment is also carried out whenever events or changes in circumstances indicate that the amount at which the asset is recorded may not be recoverable. Where such indications exist, the Group calculates the recoverable value of the asset in order to determine the existence and extent of the impairment loss.

Amortisation

These assets are amortised by the straight-line method, in twelfths, from the beginning of the month in which they become available for use. The amortisation rates used correspond to the following estimated useful lives:

	2014 (YEARS)	2015 (YEARS)
Rights of using capacities	Period of the contract	Period of the contract
Telecom licences	30	30
Software licences	1 to 8	1 to 8
Customer portfolios	5 to 6	5 to 6
Costs incurred in raising costumers loyalty contracts	Loyalty contract period	Loyalty contract period
Content utilization rights	Period of the contract	Period of the contract
Other	1 to 8	1 to 8

2.3.5 Impairment of non-current assets, excluding goodwill

Group companies periodically carry out an impairment assessment of non-current assets. This impairment assessment is also carried out whenever events or changes in circumstances indicate that the amount at which the asset is recorded may not be recoverable. Where such indications exist, the Group calculates the recoverable value of the asset in order to determine the existence and extent of the impairment loss.

The recoverable value is estimated for each asset individually or, if that is not possible, assets are grouped at the lowest levels for which there are identifiable cash flows to the cash-generating unit to which the asset belongs. Each of the Group's businesses is a cash-generating unit, except for the assets allocated to the cinema exhibition business which are grouped into regional cash-generating units. The recoverable amount is calculated as the higher of the net sale price and the current use value. The net sale price is the amount that would be obtained from the sale of the asset in a transaction between independent and knowledgeable entities, less the costs directly attributable to the sale. The current use value is the current value of the estimated future cash flows resulting from continued use of the asset or of the cash-generating unit. Where the amount at which the asset is recorded exceeds its recoverable value, it is recognised as an impairment loss.

The reversal of impairment losses recognised in previous years is recorded when there are indications that these losses no longer exist or have decreased. The reversal of impairment losses is recognised in the statement of comprehensive income in the year in which it occurs. However, an impairment loss can only be reversed up to the amount that would be recognised (net of amortisation or depreciation) if no impairment loss had been recorded in previous years.

2.3.6 Financial assets

Financial assets are recognised in the statement of financial position of the Group on the trade or contract date, which is the date on which the Group undertakes to purchase or sell the asset.

Initially, financial assets are recognised at their fair value plus directly attributable transaction costs, except for assets at fair value through profit or loss where transaction costs are recognised immediately in profit or loss. These assets are derecognised when: (i) the Group's contractual rights to receive their cash flows expire; (ii) the Group has substantially transferred all the risks and benefits associated with their ownership; or (iii) although it retains part but not substantially all of the risks and benefits associated with their ownership, the Group has transferred control of the assets.

Financial assets and liabilities are offset and shown as a net value when, and only when, the Group has the right to offset the recognised amounts and intends to settle for the net value.

The Group classifies its financial assets into the following categories: financial investments at fair value through profit or loss, financial assets available for sale, investments held to maturity and borrowings and receivables. The classification depends on management's intention at the time of their acquisition.

Financial assets at fair value through profit and loss

This category includes non-derivative financial assets acquired with the intention of selling them in the short term. This category also includes derivatives that do not qualify for hedge accounting purposes. Gains and losses resulting from changes in the fair value of assets measured at fair value through profit or loss are recognised in results in the year in which they occur under "Losses/gains on financial assets", including the income from interest and dividends.

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets which: (i) are designated as available for sale at the time of their initial recognition; or (ii) do not fit into the other categories of financial assets above. They are recognised as non-current assets except where there is an intention to sell them within 12 months following the date of the statement of financial position.

Shareholdings other than shares in Group companies, jointly controlled companies or associated companies are classified as financial investments available for sale and are recognised in the statement of financial position as non-current assets.

Investments are initially recognised at their acquisition cost. After initial recognition, investments available for sale are revalued at their fair value by reference to their market value at the date of the statement of financial position, without any deduction for transaction costs that may occur until their sale. In situations where investments are equity instruments not listed on regulated markets and for which it is not possible to reliably estimate their fair value, they are maintained at acquisition cost less any impairment losses.

The potential resulting capital gains and losses are recognised directly in reserves until the financial investment is sold, received or otherwise disposed of, at which time the accumulated gain or loss previously recognised in equity is included in the income statement.

Dividends on equity instruments classified as available for sale are recognised in results for the year under "Losses /(gains) on financial assets", where the right to receive the payment is established.

Investments held to maturity

Investments held to maturity are classified as non-current investments except where they mature in less than 12 months from the date of the statement of financial position. This item includes investments with defined maturities which the Group has the intention and ability to keep until that date. Investments held to maturity are valued at amortised cost, less any impairment losses.

Borrowing and receivables

The assets classified in this category are non-derivative financial assets with fixed or determinable payments not listed on an active market.

Accounts receivable are initially recognised at fair value and subsequently valued at amortised cost, less adjustments for impairment, where applicable. Impairment losses on customers and accounts receivable are recorded where there is objective evidence that they are not recoverable under the initial terms of the transaction. The identified impairment losses are recorded in the income statement under "Provisions and adjustments", and subsequently reversed by results, when the impairment indicators reduce or cease to exist.

Cash and cash equivalents

The amounts included in "Cash and cash equivalents" correspond to the amounts of cash, bank deposits, term deposits and other investments with maturities of less than three months which may be immediately realisable and with a negligible risk of change of value.

For the purposes of the statement of cash flows, "Cash and cash equivalents" also includes bank overdrafts included in the statement of financial position under "Borrowings" (where applicable).

2.3.7 Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to their contractual substance irrespective of their legal form. Equity instruments are contracts that show a residual interest in the Group's assets after deducting the liabilities. The equity instruments issued by Group companies are recorded at the amount received, net of the costs incurred in their issue. Financial liabilities and equity instruments are recognised only when extinguished, i.e. when the obligation is settled, cancelled or extinguished.

Borrowings

Loans are stated as liabilities at their nominal value, net of the issuance costs of the loans. Financial charges, calculated in accordance with the effective rate of interest, including premiums payable, are recognised in accordance with the accruals principle.

Accounts Payable

Accounts payable are recognised initially at their fair value and subsequently at amortised cost in accordance with the effective interest rate method. Accounts payable are recognised as current liabilities unless they are expected to be settled within 12 months from the date of the statement of financial position.

Derivative financial instruments

See accounting policy 2.3.9.

2.3.8 Impairment of financial assets

At the date of each statement of financial position, the Group examines whether there is objective evidence that a financial asset or group of financial assets is impaired.

Financial assets available for sale

In the case of financial assets classified as available for sale, a significant or prolonged decline in the fair value of the instrument below its cost is considered as an indicator that the instrument is impaired. If any similar evidence exists for financial assets classified as available for sale, the accumulated loss – measured as the difference between the acquisition cost and the current fair value, less any impairment of the financial asset that has already been recognised in results – is removed from equity and recognised in the income statement.

Impairment losses on equity instruments recognised in results are not reversed through the income statement.

Customers, other debtors and other financial assets

Adjustments are made for impairment losses when there are objective indications that the Group will not receive all the amounts to which it is entitled under the original terms of the contracts. Various indicators are used to identify impairment situations, such as default analysis, financial difficulties of the debtor, including probability of insolvency of the debtor.

The adjustment for impairment losses is calculated as the difference between the recoverable value of the financial asset and its value in the statement of financial position and is stated in profit and loss for the year. The value of these assets in the statement of financial position is reduced to the recoverable amount by means of an adjustments account. When an amount receivable from customers and other debtors is considered non recoverable, it is written off using the adjustments account for impairment losses. The subsequent recovery of amounts that have been written off is recognised in profit and loss.

When there are receivables from customers or other debtors that are overdue, and these are subject to renegotiation of their terms, these are no longer regarded as overdue and become treated as new receivables.

2.3.9 Derivative Financial Instruments

The Group has a policy of contracting derivative financial instruments with the objective of hedging the financial risks to which it is exposed, resulting from variations in exchange rates and interest rates. The Group does not contract derivative financial instruments for speculative purposes, and the use of this type of financial instruments complies with the internal policies determined by the Board.

In relation to financial derivative instruments which, although contracted in order to provide hedging in line with the Group's risk management policies, do not meet all the requirements of IAS 39 – Financial Instruments: recognition and measurement in terms of their classification as hedge accounting or which have not been specifically assigned to a hedge relationship, the related changes in fair value are stated in the income statement for the period in which they occur.

Derivative financial instruments are recognised on the respective trade date at their fair value. Subsequently, the fair value of the derivative financial instruments is revalued on a regular basis, and the gains or losses resulting from this revaluation are recorded directly in profit and loss for the period, except in the case of hedge derivatives. Recognition of the changes in fair value of hedge derivatives depends on the nature of the risk hedged and the type of hedge used.

Hedge accounting

The possibility of designating a derivative financial instrument as a hedging instrument meets the requirements of IAS 39 - Financial instruments: recognition and measurement.

Derivative financial instruments used for hedging purposes can be classified as hedges for accounting purposes where they cumulatively meet the following conditions:

a) At the start date of the transaction, the hedge relationship is identified and formally documented, including the identification of the hedged item, the hedging instrument and the evaluation of effectiveness of the hedge;
b) There is the expectation that the hedge relationship is highly effective at the start date of the transaction and throughout the life of the operation;
c) The effectiveness of the hedge can be reliably measured at the start date of the transaction and throughout the life of the operation;
d) For cash flow hedge operations, it must be highly probable that they will occur.

Exchange rate and interest rate risk

Where expectations of changes in exchange rates and interest rates so warrant, the Group aims to anticipate any adverse impact through the use of derivatives. Operations that qualify as cash flow hedging instruments are stated in the statement of financial position at their fair value and, where they are considered to be effective hedges, the changes in the fair value of the instruments are initially stated as a contra entry in equity and subsequently reclassified as financial costs.

Where hedge transactions are ineffective, they are stated directly in profit and loss. Accordingly, in net terms the cash flows associated with the hedged operations are accrued at the rate applying to the contracted hedge operation.

When a hedge instrument expires or is sold, or when the hedge ceases to fulfil the criteria required for hedge accounting, the accumulated variations in the fair value of the derivative in reserves are shown in profit and loss when the operation hedged also affects profit and loss.

2.3.10 Inventories

Inventories, which mainly include mobile phones, customer terminal equipment and DVDs, are valued at the lower of their cost or net realisable value.

The acquisition cost includes the invoice price, freight and insurance costs, using the weighted average cost as the method of costing goods sold.

Inventories are adjusted for technological obsolescence, as well as for the difference between the purchase cost and the net realisable value, whichever is the lower, and this reduction is recognised directly in the income statement.

The net realisable value corresponds to the normal sale price less restocking costs and selling costs.

The differences between the cost and the corresponding net realisable value of inventories, where this is less than the cost, are recorded as operating costs in "Cost of goods sold".

Inventories in transit, since they are not available for consumption or sale, are separated out from other inventories and are valued at their specific acquisition cost.

2.3.11 Subsidies

Subsidies are recognised at their fair value where there is a reasonable assurance that they will be received and Group companies will meet the requirements for their award.

Operating subsidies, mainly for employee training, are recognised in the statement of comprehensive income by deduction from the corresponding costs incurred.

Investment subsidies are recognised in the statement of financial position as deferred income.

If the subsidy is considered as deferred income, it is recognised as income on a systematic and rational basis during the useful life of the asset.

2.3.12 Provisions and contingent liabilities

Provisions are recognised where: (i) there is a present obligation arising from past events and it is likely that in settling that obligation the expenditure of internal resources will be necessary; and (ii) the amount or value of such obligation can be reasonably estimated. Where one of the above conditions is not met, the Group discloses the events as a contingent liability unless the likelihood of an outflow of funds resulting from this contingency is remote, in which case they are not disclosed.

Provisions for legal procedures taking place against the Group are made in accordance with the risk assessments carried out by the Group and by their legal advisers, based on success rates.

Provisions for restructuring are only recognised where the Group has a detailed, formal plan identifying the main features of the restructuring programme and after these facts have been reported to the entities involved.

Provisions for decommissioning costs, removal of assets and restoration of the site are recognised when the assets are installed, in line with the best estimates available at that date (Note 17).

The amount of the provisioned liability reflects the effects of the passage of time and the corresponding financial indexing is recognised in results as a financial cost.

Obligations that result from onerous contracts are registered and measured as provisions. There is an onerous contract when the Company is an integral part of the provisions of an agreement contract, which entail costs that cannot be avoided and which exceed the economic benefits derived from the agreement.

Provisions for potential future operating losses are not covered.

Contingent liabilities are not recognised in the financial statements, unless the exception provided under IFRS 3 business combination, and are disclosed whenever there is a good chance to shed resources including economic benefits. Contingent assets are not recognised in the financial statements, being disclosed when there is a likelihood of a future influx of financial resources.

Provisions are reviewed and brought up to date at the date of the statement of financial position to reflect the best estimate at that time of the obligation concerned.

2.3.13 Leases

Leasing contracts are classified as: (i) finance leases, if substantially all the risks and benefits incident to ownership of the corresponding assets concerned have been transferred; or (ii) operating leases, if substantially all risks and rewards incident to ownership of those assets have not been transferred.

The classification of leases as finance or operating leases is made on the basis of substance rather than contractual form.

The assets acquired under finance leases and the corresponding liabilities are recorded using the financial method, and the assets, related accumulated depreciation and pending debts are recorded in accordance with the contractual finance plan. In addition, the interest included in the rentals and the depreciation of the tangible and intangible fixed assets are recognised in the statement of comprehensive income for the period to which they relate.

In the case of operating leases, the rentals due are recognised as costs in the income statement over the period of the leasing contract.

2.3.14 Income Tax

NOS is covered by the special tax regime for groups of companies, which covers all the companies in which it directly or indirectly owns at least 75% of the share capital and which simultaneously are resident in Portugal and subject to Corporate Income Tax (IRC).

The remaining subsidiaries not covered by the special tax regime for groups of companies are taxed individually on the basis of their respective taxable incomes and the applicable tax rates.

Income tax is stated in accordance with the IAS 12 criteria. In calculating the cost relating to income tax for the period, in addition to current tax, allowance is also made for the effect of deferred tax calculated in accordance with the liability method, taking into account the temporary differences resulting from the difference between the tax basis of assets and liabilities and their values as stated in the consolidated financial statements, and the tax losses carried forward at the date of the statement of financial position. The deferred income tax assets and liabilities were calculated on the basis of the tax legislation currently in force or of legislation already published for future application.

As stipulated in the above standard, deferred income tax assets are recognised only where there is reasonable assurance that these may be used to reduce future taxable profit, or where there are deferred income tax liabilities whose reversal is expected to occur in the same period in which the deferred income tax assets are reversed. At the end of each period an assessment is made of deferred income tax assets, and these are adjusted in line with the likelihood of their future use.

The amount of tax to be included either in current tax or in deferred tax resulting from transactions or events recognised in equity accounts is recorded directly under those items and does not affect the results for the period.

In a business combination the deferred tax benefits acquired are recognised as follow:

a) The deferred tax benefits acquired recognised in the measurement period of one year after the date of merger and that result from new information about facts and circumstances that existed at the date of acquisition are recorded against the goodwill carrying amount related to the acquisition. If the goodwill carrying amount is null, any remaining deferred tax benefits are recognised in the income statement.

b) All the other acquired deferred tax benefits performed are recognised in the income statement (when applicable, directly in shareholders' equity).

2.3.15 Share-based payments

The benefits granted to employees under share purchase or share option incentive plans are recorded in accordance with the requirements of IFRS 2 – Share-based payments.

In accordance with IFRS 2, since it is not possible to reliably estimate the fair value of the services received from employees, their value is measured by reference to the fair value of equity instruments in accordance with their share price at the grant date.

The cost is recognised, linearly over the period in which the service is provided by employees, under the caption "Wages and salaries" in the income statement, with the corresponding increase in equity.

The accumulated cost recognised at the date of each statement of financial position up to the vesting reflects the best estimate of the number of own shares that will be vested, weighted by the tire elapse between the grant and the vesting. The impact on the income statement each year corresponds to the accumulated cost valuation between the beginning and the end of the year.

In turn, benefits granted on the basis of shares but paid in cash lead to the recognition of a liability valued at fair value at the date of the statement of financial position.

2.3.16 Revenue

The main types of revenue of NOS's subsidiaries are as follows:

i) Revenues of Telecommunications Services:

Cable Television, fixed broadband and fixed voice: The revenues from services provided using the fibre optic cable network result from: (a) basic channel subscription packages that can be sold in a bundle with fixed broadband/fixed voice services; (b) premium channel subscription packages and S-VOD; (c) terminal equipment rental; (d) consumption of content (VOD); (e) traffic and voice termination; (f) service activation; (g) sale of equipment; and (h) other additional services (ex: firewall, antivirus).

Satellite Television: Revenues from the satellite television service mainly result from: (a) basic and premium channel subscription packages; (b) equipment rental; (c) consumption of content (VOD); (d) service activation; and (e) sale of equipment.

Mobile broadband and voice services: Revenues from mobile broadband Internet access services and mobile voice services result mainly from monthly subscriptions and/or usage of the Internet and voice service, as well as the traffic associated with the type chosen by the client.

Revenue from telecommunications services is counted from the time at which those services are provided. Amounts that have not been invoiced for are included based on estimates. The differences between the estimated amounts and the actual amounts, which are normally small, are recorded in the next financial year.

Discounts granted to clients within fidelization programs are allocated to the entire contract for which the client is fidelized. Therefore, the discount is recognised as the goods and services are made available to the client.

Profits made from selling equipment are included when the buyer takes on the risks and advantages of taking possession of goods and the value of the benefits are reasonably quantified.

Until 31 December 2014, revenue from penalties, due to the inherent uncertainties, was recorded only at the moment when it was received, and the amount was disclosed as a contingent asset (Note 32). From 1 January 2015, Revenue from penalties is recognised taking into account an estimated collectability rate taking into account the Group's collection history.

ii) Advertising Revenue: Advertising revenues mainly derive from the attraction of advertising for Pay TV channels to which the Group has publicity rights and in cinemas. These revenues are recognised from when they are received, taken off any discounts given.

iii) Film Showings and Distribution: Distribution revenue pertains to the distribution of films to film exhibitors not distributed by the Group, that are included in the film showings, whilst income from film showings mostly derive from cinema ticket sales and the product sales in the bars; the film showings revenue includes the revenue from ticket sales and bar sales respectively.

iv) Revenue from Producing and Distributing Channel Content: Revenue from production and distribution essentially includes the sale of DVDs, the sale of content and the distribution of television channels subscriptions to third parties and count from the time at which they are sold, shown and made available for distribution to telecommunications operators, respectively.

v) Consultancy and datacenter Management: information systems consultancy and datacenter management are the major services rendered by NOS Sistemas.

Interest revenue is recognised using the effective interest method, only where they generate future economic benefits for the Group and where they can be measured reliably.

2.3.17 Accruals

Group's revenues and costs are recognised in accordance with the accruals principle, under which they are recognised as they are generated or incurred, irrespective of when they are received or paid.

The costs and revenues related to the current period and whose expenses and income will only occur in future periods are registered under "Accounts receivable – trade", "Accounts receivable – other", "Prepaid expenses", "Accrued expenses" and "Deferred income", as well as the expenses and income that have already occurred that relate to future periods, which will be recognised in each of those periods, for the corresponding amount.

The costs related to the current period and whose expenses will only occur in future periods are registered under "Accrued expenses" when it's possible to estimate with certainty the related amount, as well as the timing of the expense's materialization. If uncertainty exists related to any of these aspects, the value is classified as Provisions (Note 2.3.12).

2.3.18 Assets, liabilities and transactions in foreign currencies

Transactions in foreign currencies are converted into the functional currency at the exchange rate on the transactions dates. On each accounting date, outstanding balances (monetary items) are updated by applying the exchange rate prevailing on that date. The exchange rate differences in this update are recognised in the income statement for the year in which they were calculated. Exchange rate variations generated on monetary items which constitute enlargement of the investment denominated in the functional currency of the Group or of the subsidiary in question are recognised in equity. Exchange rate differences on non-monetary items are classified in "Other reserves" in equity.

The financial statements of subsidiaries denominated in foreign currencies are converted at the following exchange rates:

- The exchange rate obtaining on the date of the statement of financial position for the conversion of assets and liabilities;
- The average exchange rate in the period for the conversion of items in the income statement;
- The average exchange rate in the period, for the conversion of cash flows (in cases where the exchange rate approximates to the real rate, and for the remaining cash flows the rate of exchange at the date of the operations is used);
- The historical exchange rate for the conversion of equity accounts.

Exchange differences arising from the conversion into euros of the financial statements of subsidiaries denominated in foreign currencies are included in equity under "Other reserves".

At 31 December 2014 and 30 June 2015, assets and liabilities expressed in foreign currencies were converted into euros using the following exchange rates of such currencies against the euro, as published by the Bank of Portugal:

	31-12-2014	30-06-2015
US Dollar	1.2141	1.1189
Angolan Kwanza	125.1110	134.6800
British Pound	0.7789	0.7114
Mozambique Metical	38.5300	46.2200
Canadian Dollar	1.4063	1.3839
Swiss Franc	1.2024	1.0413
Real	3.2207	3.4699

In the the semesters ended at 30 June 2014 and 2015, the income statements of subsidiaries expressed in foreign currencies were converted to euros at the average exchange rates of the currencies of their countries of origin against the euro, which are as follows:

	6M 14	6M 15
Angolan Kwanza	129.9883	121.5672
Mozambique Metical	41.8000	39.3050

2.3.19 Financial charges and borrowings

Financial charges related to borrowings are recognised as costs in accordance with the accruals principle, except in the case of loans incurred (whether these are generic or specific) for the acquisition, construction or production of an asset that takes a substantial period of time (over one year) to be ready for use, which are capitalised in the acquisition cost of that asset.

2.3.20 Investment property

Investment property mainly includes buildings held to generate rents rather than for use in the production or supply of goods or services, or for administrative purposes, or for sale in the ordinary course of business. These are measured initially at cost.

Subsequently, the Group uses the cost model for the valuation of investment property since use of the fair value model would not result in material differences.

An investment property is eliminated from the statement of financial position on disposal or when the investment property is taken permanently out of use and no financial benefit is expected from its disposal.

2.3.21 Fair value measurement

The group measure part of the financial assets, (such as financial assets available for sale), and some of its non-financial assets, such as investment properties, at fair value on the date of the financial statements.

The fair value measurement assumes that the asset or liability is exchanged in an orderly transaction among market participants to sell the asset or transfer the liability at the measurement date under current market conditions. The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability may occur:

- On the main market of the assets and liabilities, or
- In the absence of a primary market, it is assumed that the transaction occurs in the most advantageous market. This is what maximizes the amount that would be received to selling asset or minimizes the amount that would be paid to transfer the liability, after considering transaction costs and transport costs.

Because different entities and businesses within a single entity can have access to different markets, the main or most advantageous market for the same asset or liability can vary from one entity to another, or even between businesses within the same entity, but it is assumed that they are accessible to the Group.

The fair value measurement uses assumptions that market participants use in defining price of the asset or liability, assuming that market participants would use the asset to maximize its value.

The group uses valuation techniques appropriate to the circumstances whenever there is information to measure the fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities measured at fair value or of which disclosure is mandatory, are rated on a fair value hierarchy, which ranks data in three levels to be used in the measurement at fair value, and detailed below:

Level 1 – Listed and unadjusted market prices, in active markets for identical assets or liabilities that the entity can access at the measurement date;
Level 2 - valuation techniques using inputs that aren't quoted, but which are directly or indirectly observable;
Level 3 - valuation techniques using inputs not based on observable market data, based on unobservable inputs.

The fair value measurement is classified in the same fair value hierarchy level at the lowest level of input which is significant to the measurement as a whole.

2.3.22 Assets and liabilities offsetting

Financial assets and liabilities are offset and presented at the net amount when, and only when, the Group has the right to offset the recognised amounts and intends to settle for the net amount.

2.3.23 Employee benefits

Personnel expenses are recognised when the service is rendered by employees independently of their date of payment. Here are some specificities:

a) Termination of employment. The benefits for termination of employment are due for payment when there is cessation of employment before the normal retirement date or when an employee accepts leaving voluntarily in exchange for these benefits. The Group recognizes these benefits when it can be shown to be committed to a termination of current employees according to a detailed formal plan for termination and there is no realistic possibility of withdrawal or these benefits are granted to encourage voluntary redundancy.

Where the benefits of cessation of employment are due more than 12 months after the balance sheet date, they are updated to their present value.

b) Holiday, holiday allowances and bonuses. According to the labor law, employees are entitled to 22 days annual leave, as well as one month of holiday allowances, rights acquired in the year preceding payment. These liabilities of the Group are recorded when incurred, independently of the moment of payment, and are reflected under the item "Accounts payable and other".

c) Labor Compensation Fund (FCT) and the Labour Compensation Guarantee Fund (FGCT). Based on the publication of Law No 70/2013 and subsequent regulation by Order No. 294-A / 2013, entered into force on 1 October the Labor Compensation Fund schemes (FCT) and the Guarantee Fund Compensation of Labor (FGCT). In this context, companies that hire a new employee are required to deduct a percentage of the respective salary for these two new funds (0.925% to 0.075% and the FCT for FGCT), in order to ensure, in the future, the partial payment the compensation for dismissal. Considering the characteristics of each Fund, the following is considered:
-The monthly deliveries to FGCT, made by the employer are recognised as expense in the period to which they relate.
-The monthly deliveries to FCT, made by the employer are recognised as a financial asset of the entity, measured at fair value with changes recognised in the respective results.

2.3.24 Statement of cash flows

The statement of cash flows is prepared in accordance with the direct method. The Group classifies under "Cash and cash equivalents" the assets with maturities of less than three months and for which the risk of change in value is negligible. For purposes of the statement of cash flows, the balance of cash and cash equivalents also include bank overdrafts included in the statement of financial position under "Borrowings".

The statement of cash flows is divided into operating, investment and financing activities.

Operating activities include cash received from customers and payments to suppliers, staff and others related to operating activities.

The cash flows included in investment activities include acquisitions and disposals of investments in subsidiaries and cash received and payments arising from the purchase and sale of tangible and intangible assets, amongst others.

Financing activities include cash received and payments relating to borrowings, the payment of interest and similar costs, finance leases, the purchase and sale of own shares and the payment of dividends.

2.3.25 Subsequent events

Events occurring after the date of the statement of financial position which provide additional information about conditions that existed at that date are taken into account in the preparation of financial statements for the year.

Events occurring after the date of the statement of financial position which provide information on conditions that occur after that date are disclosed in the notes to the financial statements, when they are materially relevant.

3. Judgements and Estimates

3.1. Relevant accounting estimates

The preparation of consolidated financial statements requires the Group's management to make judgments and estimates that affect the statement of financial position and the reported results. These estimates are based on the best information and knowledge about past and/or present events, and on the operations that the Company considers may it may implement in the future. However, at the date of completion of such operations, their results may differ from these estimates.

Changes to these estimates that occur after the date of approval of the consolidated financial statements will be corrected in the income statement in a prospective manner, in accordance with IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors".

The estimates and assumptions that imply a greater risk of giving rise to a material adjustment in assets and liabilities are described below:

Impairment of non-current assets, excluding goodwill

The determination of a possible impairment loss can be triggered by the occurrence of various events, such as the availability of future financing, the cost of capital or other market, economic and legal changes or changes with an adverse effect on the technological environment, many of which are beyond the Group's control.

The identification and assessment of impairment indicators, the estimation of future cash flows and the calculation of the recoverable value of assets involve a high degree of judgment by the Board.

Impairment of goodwill

Goodwill is subjected to impairment tests annually or whenever there are indications of a possible loss of value, in accordance with the criteria described in Note 8. The recoverable values of the cash-generating units to which goodwill is allocated are determined on the basis of the calculation of current use values. These calculations require the use of estimates by management.

Intangible and tangible assets

The life of an asset is the period during which the Company expects that an asset will be available for use and this should be reviewed at least at the end of each financial year.

The determination of the useful lives of assets, the amortisation/depreciation method to be applied and the estimated losses resulting from the replacement of equipment before the end of its useful life due to technological obsolescence is crucial in determining the amount of amortisation/depreciation to be recognised in the consolidated income statement each year.

These three parameters are defined using management's best estimates for the assets and businesses concerned, and taking account of the practices adopted by companies in the sectors in which the Group operates.

The capitalised costs with the audiovisual content distribution rights acquired for commercialisation in the various windows of exhibition are amortised over the period of exploration of the respective contracts. Additionally, these assets are subject to impairment tests whenever there are indications of changes in the pattern generation of future revenue underlying each contract.

Provisions

The Group periodically reviews any obligations arising from past events which should be recognised or disclosed. The subjectivity involved in determining the probability and amount of internal resources required to meet obligations may give rise to significant adjustments, either due to changes in the assumptions made, or due to the future recognition of provisions previously disclosed as contingent liabilities.

Deferred income tax assets

Deferred income tax assets are recognised only where there is strong assurance that there will be future taxable income available to use the temporary differences or where there are deferred tax liabilities whose reversal is expected in the same period in which the deferred tax assets are reversed. The assessment of deferred income tax assets is undertaken by management at the end of each period taking account of the expected future performance of the Group.

Impairment of account receivables

The credit risk on the balances of accounts receivable is assessed at each reporting date, taking account of the customer's history and their risk profile. Accounts receivable are adjusted for the assessment made by management and the estimated collection risks at the date of the statement of financial position, which may differ from the effective risk incurred.

Fair value of financial assets and liabilities

When the fair value of an asset or liabilities is calculated, on an active market, the respective market price is used. Where there is no active market, which is the case with some of the Group's financial assets and liabilities, valuation techniques generally accepted in the market, based on market assumptions, are used.

The Group uses evaluation techniques for unlisted financial instruments such as derivatives, financial instruments at fair value through profit and loss, and assets available for sale. The valuation models that are used most frequently are discounted cash flow models and options models, incorporating, for example, interest rate and market volatility curves.

For certain types of more complex derivatives, more advanced valuation models are used containing assumptions and data that are not directly observable in the market, for which the Group uses internal estimates and assumptions.

3.2. Errors, estimates and changes to accounting policies

In the semesters ended at 30 June 2014 and 2015, no material errors relating to previous years were recognised.

4. Changes in the consolidation perimeter

During the semester ended on 30 June 2014, the changes in the consolidated perimeter were as follow:

1. on 15 May 2014 it was constituted NOS Communications S.à.r.l (Annexe A));
2. on 16 May 2014 the Company completed a merger operation by incorporation of ZON TV Cabo Portugal, S.A. in Optimus – Comunicações, S.A., thereafter named NOS Comunicações, S.A.. This merger didn't have any impacts in the Group's consolidated financial statements.

During the semester ended on 30 June 2015, the spin-off project of NOS Comunicações, SA materialized, giving rise to the creation of a new entity, NOS Inovação, SA, to which was transferred the Product Development Department assets, which include, among others, the IRIS platform. The spin-off had no impact on the Group's consolidated financial statements.

5. Segment reporting

The business segments are as follows:

- Telco – TV, Internet (fixed and mobile) and voice (fixed and mobile) services rendered and includes the following companies: NOS Technology, NOS Towering, Per-mar, Sontária, NOS, NOS Açores, NOS Communications, NOS Madeira, NOSPUB, NOS SA, NOS Lusomundo TV, ZON Finance, Teliz Holding, NOS Sistemas and NOS Inovação.

- Audiovisual – the supply of video production services and sales, cinema exhibition and distribution and the acquisition/negociation of Pay TV and VOD (video-on-demand) rights and includes the following companies: NOS Audiovisuais, NOS Cinemas, Lusomundo Moçambique, Lda ("Lusomundo Moçambique"), Lusomundo España, SL ("Lusomundo España"), Lusomundo Imobiliária 2, S.A. ("Lusomundo Imobiliária 2"), Lusomundo Sociedade de Investimentos Imobiliários, SGPS, S.A. ("Lusomundo SII") and Empracine – Empresa Promotora de Atividades Cinematográficas, Lda ("Empracine").

Assets and liabilities by segment at 31 December 2014 and 30 June 2015, are shown below:

	31-12-2014			
	TELCO	**AUDIOVISUALS**	**ELIMINATIONS**	**GROUP**
ASSETS				
NON - CURRENT ASSETS:				
Tangible assets	1,126,465	15,305	-	1,141,770
Intangible assets	1,068,015	96,192	-	1,164,207
Investments in jointly controlled companies and associated companies	123,847	2,715	(95,018)	31,544
Accounts receivable - other	68,209	18,456	(82,354)	4,311
Deferred income tax assets	129,431	11,683	-	141,115
Other non-current assets	4,309	708	-	5,017
TOTAL NON - CURRENT ASSETS	**2,520,276**	**145,059**	**(177,373)**	**2,487,964**
CURRENT ASSETS:				
Inventories	31,921	1,092	-	33,013
Account receivables	344,836	57,318	(42,975)	359,179
Prepaid expenses	45,270	2,498	(26)	47,742
Other current assets	3,745	1,753	1,466	6,964
Cash and cash equivalents	19,911	1,160	-	21,070
TOTAL CURRENT ASSETS	**445,683**	**63,821**	**(41,536)**	**467,968**
TOTAL ASSETS	**2,965,960**	**208,880**	**(218,909)**	**2,955,931**
SHAREHOLDER'S EQUITY				
Share capital	5,152	31,704	(31,704)	5,152
Capital issued premium	854,219	-	-	854,219
Own shares	(11,791)	-	-	(11,791)
Legal reserve	3,556	1,087	(1,087)	3,556
Other reserves and accumulated earnings	115,302	104,291	(95,129)	124,464
Net income	73,715	(39,959)	40,952	74,711
EQUITY BEFORE NON - CONTROLLING INTERESTS	**1,040,153**	**97,123**	**(86,967)**	**1,050,311**
Non-controlling interests	9,775	23	20	9,818
TOTAL EQUITY	**1,049,928**	**97,146**	**(86,946)**	**1,060,129**
LIABILITIES				
NON - CURRENT LIABILITIES:				
Borrowings	638,622	44,708	(66,804)	616,526
Provisions	121,532	5,690	-	127,221
Accrued expenses	24,978	50	(74)	24,954
Other non-current liabilities	7,883	-	-	7,883
Deferred income tax liabilities	16,271	966	-	17,237
TOTAL NON - CURRENT LIABILITIES	**809,286**	**51,414**	**(66,877)**	**793,821**
CURRENT LIABILITIES:				
Borrowings	502,232	1,472	(196)	503,508
Accounts payable	411,371	43,877	(63,593)	391,655
Tax payable	9,962	3,150	1,464	14,576
Accrued expenses	154,351	11,551	(2,737)	163,165
Deferred income	28,831	271	(26)	29,076
TOTAL CURRENT LIABILITIES	**1,106,747**	**60,320**	**(65,087)**	**1,101,980**
TOTAL LIABILITIES	**1,916,033**	**111,734**	**(131,964)**	**1,895,801**
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	**2,965,960**	**208,880**	**(218,909)**	**2,955,931**

	30-06-2015			
	TELCO	AUDIOVISUALS	ELIMINATIONS	GROUP
ASSETS				
NON - CURRENT ASSETS:				
Tangible assets	1,123,584	14,530	-	1,138,114
Intangible assets	1,087,470	96,918	-	1,184,388
Investments in jointly controlled companies and associated companies	126,433	3,224	(95,018)	34,639
Accounts receivable - other	73,796	18,738	(82,294)	10,240
Deferred income tax assets	116,523	12,182	-	128,705
Other non-current assets	4,228	686	-	4,914
TOTAL NON - CURRENT ASSETS	**2,532,034**	**146,278**	**(177,312)**	**2,501,000**
CURRENT ASSETS:				
Inventories	39,257	1,098	-	40,355
Account receivables	371,096	58,471	(48,892)	380,675
Prepaid expenses	73,233	1,803	(92)	74,944
Other current assets	7,680	1,822	-	9,502
Cash and cash equivalents	7,730	1,173	-	8,903
TOTAL CURRENT ASSETS	**498,996**	**64,367**	**(48,984)**	**514,379**
TOTAL ASSETS	**3,031,030**	**210,645**	**(226,296)**	**3,015,379**
SHAREHOLDER'S EQUITY				
Share capital	5,152	31,704	(31,704)	5,152
Capital issued premium	854,219	-	-	854,219
Own shares	(2,949)	-	-	(2,949)
Legal reserve	3,556	1,087	(1,087)	3,556
Other reserves and accumulated earnings	108,673	64,126	(54,176)	118,623
Net income	46,104	1,205	-	47,309
EQUITY BEFORE NON - CONTROLLING INTERESTS	**1,014,755**	**98,122**	**(86,967)**	**1,025,910**
Non-controlling interests	9,452	21	22	9,495
TOTAL EQUITY	**1,024,207**	**98,143**	**(86,945)**	**1,035,405**
LIABILITIES				
NON - CURRENT LIABILITIES:				
Borrowings	1,065,386	68,247	(90,958)	1,042,675
Provisions	127,726	6,095	-	133,821
Accrued expenses	23,840	19	(24)	23,835
Other non-current liabilities	6,914	-	-	6,914
Deferred income tax liabilities	14,496	793	-	15,289
TOTAL NON - CURRENT LIABILITIES	**1,238,362**	**75,154**	**(90,982)**	**1,222,534**
CURRENT LIABILITIES:				
Borrowings	171,414	1,156	(50)	172,520
Accounts payable	408,478	22,691	(44,831)	386,338
Tax payable	16,746	1,850	-	18,596
Accrued expenses	141,408	11,076	(3,394)	149,090
Deferred income	30,262	575	(94)	30,743
TOTAL CURRENT LIABILITIES	**768,461**	**37,348**	**(48,369)**	**757,440**
TOTAL LIABILITIES	**2,006,823**	**112,502**	**(139,351)**	**1,979,974**
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	**3,031,030**	**210,645**	**(226,296)**	**3,015,379**

The results by segment and investments in tangible and intangible fixed assets for the semesters ended on 30 June 2014 and 2015 are shown below:

	TELCO		AUDIOVISUALS		ELIMINATIONS		GROUP	
	2ND QUARTER 14	6M 14	2ND QUARTER 14	6M 14	2ND QUARTER 14	6M 14	2ND QUARTER 14	6M 14
REVENUES:								
Services rendered	315,499	629,418	18,617	37,078	(9,261)	(18,500)	324,855	647,996
Sales	8,838	16,520	4,317	8,067	(1)	(2)	13,154	24,585
Other operating revenues	6,548	9,173	540	780	(122)	(215)	6,966	9,738
	330,885	**655,111**	**23,474**	**45,925**	**(9,384)**	**(18,717)**	**344,975**	**682,319**
COSTS, LOSSES AND GAINS:								
Wages and salaries	16,450	35,159	2,276	4,622	(6)	(6)	18,720	39,775
Direct costs	101,632	201,244	6,104	10,448	(7,254)	(14,487)	100,482	197,205
Costs of products sold	10,603	21,553	274	578	10	(1)	10,887	22,130
Marketing and advertising	5,992	12,029	1,241	2,626	(1,344)	(2,641)	5,889	12,014
Support services	21,503	44,001	787	1,658	(770)	(1,542)	21,520	44,117
Supplies and external services	41,561	84,278	4,700	9,069	(24)	(53)	46,237	93,294
Other operating losses / (gains)	333	705	29	34	4	13	366	752
Taxes	4,272	10,112	36	77	-	-	4,308	10,189
Provisions and adjustments	2,971	(630)	(45)	(43)	-	-	2,926	(673)
	205,317	**408,451**	**15,402**	**29,069**	**(9,384)**	**(18,717)**	**211,335**	**418,803**
EBITDA	**125,568**	**246,660**	**8,072**	**16,856**	**-**	**-**	**133,640**	**263,516**
Net losses / (gains) of affiliated companies	(2,397)	(6,961)	(309)	(648)	-	-	(2,706)	(7,609)
EBITDA INCLUING LOSSES / (GAINS) OF AFFILIATED COMPANIES, NET	**127,965**	**253,621**	**8,381**	**17,504**	**-**	**-**	**136,346**	**271,125**
Depreciation, amortisation and impairment losses	75,897	151,654	10,335	18,449	-	-	86,232	170,103
Other losses / (gains), net	12,549	15,282	82	179	-	-	12,631	15,461
	88,446	**166,936**	**10,417**	**18,628**	**-**	**-**	**98,863**	**185,564**
INCOME BEFORE FINANCIAL RESULTS AND TAXES	**39,519**	**86,685**	**(2,036)**	**(1,124)**	**-**	**-**	**37,483**	**85,561**
Financial costs	8,236	17,175	679	1,413	-	-	8,915	18,588
Net foreign exchange losses / (gains)	(10)	28	(29)	(18)	-	-	(39)	10
Net losses / (gains) on financial assets	336	906	11	23	-	-	347	929
Net other financial expenses / (income)	4,920	9,772	24	55	-	-	4,944	9,827
	13,482	**27,881**	**685**	**1,473**	**-**	**-**	**14,167**	**29,354**
INCOME BEFORE TAXES	**26,037**	**58,804**	**(2,721)**	**(2,597)**	**-**	**-**	**23,316**	**56,207**
Income taxes	6,231	13,573	(1,437)	(1,452)	-	-	4,794	12,121
NET INCOME	**19,806**	**45,231**	**(1,284)**	**(1,145)**	**-**	**-**	**18,522**	**44,086**
CAPEX	**80,216**	**129,254**	**8,401**	**16,020**	**-**	**-**	**88,617**	**145,274**
EBITDA - CAPEX	**45,352**	**117,406**	**(329)**	**836**	**-**	**-**	**45,023**	**118,242**

	TELCO		AUDIOVISUALS		ELIMINATIONS		GROUP	
	2ND QUARTER 15	6M 15	2ND QUARTER 15	6M 15	2ND QUARTER 15	6M 15	2ND QUARTER 15	6M 15
REVENUES:								
Services rendered	324,441	641,620	23,923	46,538	(10,900)	(21,470)	337,464	666,688
Sales	10,740	18,710	4,187	8,347	(10)	(10)	14,917	27,047
Other operating revenues	3,446	6,216	322	843	(277)	(847)	3,491	6,212
	338,627	**666,546**	**28,432**	**55,728**	**(11,187)**	**(22,327)**	**355,872**	**699,947**
COSTS, LOSSES AND GAINS:								
Wages and salaries	17,842	37,155	2,459	4,758	-	(11)	20,301	41,902
Direct costs	111,811	215,221	8,170	15,365	(9,278)	(18,642)	110,703	211,944
Costs of products sold	11,382	21,195	30	25	-	-	11,412	21,220
Marketing and advertising	4,818	11,034	1,623	3,283	(1,389)	(2,707)	5,052	11,610
Support services	22,601	47,452	394	741	(285)	(571)	22,710	47,622
Supplies and external services	38,464	79,587	5,008	9,843	(235)	(396)	43,237	89,034
Other operating losses / (gains)	153	269	32	38	-	-	185	307
Taxes	6,391	13,218	46	79	-	-	6,437	13,297
Provisions and adjustments	(2,667)	(3,530)	20	143	-	-	(2,647)	(3,387)
	210,795	**421,601**	**17,782**	**34,275**	**(11,187)**	**(22,327)**	**217,390**	**433,549**
EBITDA	**127,832**	**244,945**	**10,650**	**21,453**	**-**	**-**	**138,482**	**266,398**
Net losses / (gains) of affiliated companies	(478)	(7,364)	(61)	(519)	-	-	(540)	(7,883)
EBITDA INCLUING LOSSES / (GAINS) OF AFFILIATED COMPANIES, NET	**128,310**	**252,309**	**10,711**	**21,972**	**-**	**-**	**139,022**	**274,281**
Depreciation, amortisation and impairment losses	80,904	159,494	9,786	18,890	-	-	90,690	178,384
Other losses / (gains), net	5,255	11,214	110	241	-	-	5,365	11,455
	86,159	**170,708**	**9,896**	**19,131**	**-**	**-**	**96,055**	**189,839**
INCOME BEFORE FINANCIAL RESULTS AND TAXES	**42,151**	**81,601**	**815**	**2,841**	**-**	**-**	**42,967**	**84,442**
Financial costs	7,423	14,482	95	518	-	-	7,518	15,000
Net foreign exchange losses / (gains)	(150)	162	319	739	-	-	169	901
Net losses / (gains) on financial assets	249	249	-	-	-	-	249	249
Net other financial expenses / (income)	2,863	6,431	17	35	-	-	2,880	6,466
	10,385	**21,324**	**431**	**1,292**	**-**	**-**	**10,816**	**22,616**
INCOME BEFORE TAXES	**31,766**	**60,277**	**384**	**1,549**	**-**	**-**	**32,151**	**61,826**
Income taxes	8,085	14,316	120	344	-	-	8,205	14,660
NET INCOME	**23,681**	**45,961**	**264**	**1,205**	**-**	**-**	**23,946**	**47,166**
CAPEX	**92,593**	**177,395**	**9,758**	**19,265**	**-**	**-**	**102,351**	**196,660**
EBITDA - CAPEX	**35,239**	**67,550**	**892**	**2,188**	**-**	**-**	**36,131**	**69,738**

Inter-segment transactions are performed on market terms and conditions in a comparable way to transactions performed with third parties.

6. Financial assets and liabilities classified in accordance with the IAS 39 categories – financial instruments: recognition and measurement

The accounting policies set out in IAS 39 for financial instruments were applied to the following items:

	31-12-2014			
	LOANS AND ACCOUNTS RECEIVABLE	AVAILABLE-FOR-SALE FINANCIAL ASSETS	INVESTMENTS HELD-TO-MATURITY	DERIVATIVES
ASSETS				
Available-for-sale financial assets	-	77	-	-
Derivative financial instruments (Note 13)	-	-	-	368
Accounts receivable - trade (Note 12)	331,527	-	-	-
Accounts receivable - other	25,929	-	-	-
Cash and cash equivalents (Note 14)	21,070	-	-	-
TOTAL FINANCIAL ASSETS	**378,526**	**77**	**-**	**368**
LIABILITIES				
Borrowings (Note 16)	-	-	-	-
Derivative financial instruments (Note 13)	-	-	-	1,899
Accounts payable - trade (Note 18)	-	-	-	-
Accounts payable - other	-	-	-	-
Accrued expenses	-	-	-	-
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**-**	**1,899**

	31-12-2014			
	OTHER FINANCIAL LIABILITIES	TOTAL FINANCIAL ASSETS AND LIABILITIES	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
ASSETS				
Available-for-sale financial assets	-	77	-	77
Derivative financial instruments (Note 13)	-	368	-	368
Accounts receivable - trade (Note 12)	-	331,527	-	331,527
Accounts receivable - other	-	25,929	6,034	31,963
Cash and cash equivalents (Note 14)	-	21,070	-	21,070
TOTAL FINANCIAL ASSETS	**-**	**378,971**	**6,034**	**385,005**
LIABILITIES				
Borrowings (Note 16)	1,120,034	1,120,034	-	1,120,034
Derivative financial instruments (Note 13)	-	1,899	-	1,899
Accounts payable - trade (Note 18)	340,721	340,721	-	340,721
Accounts payable - other	50,741	50,741	193	50,934
Accrued expenses	163,165	163,165	-	163,165
TOTAL FINANCIAL LIABILITIES	**1,674,661**	**1,676,560**	**193**	**1,676,753**

	30-06-2015			
	LOANS AND ACCOUNTS RECEIVABLE	**AVAILABLE-FOR-SALE FINANCIAL ASSETS**	**INVESTMENTS HELD-TO-MATURITY**	**DERIVATIVES**
ASSETS				
Available-for-sale financial assets	-	77	-	-
Derivative financial instruments (Note 13)	-	-	-	26
Accounts receivable - trade (Note 12)	357,284	-	-	-
Accounts receivable - other	27,820	-	-	-
Cash and cash equivalents (Note 14)	8,903	-	-	-
TOTAL FINANCIAL ASSETS	**394,007**	**77**	**-**	**26**
LIABILITIES				
Borrowings (Note 16)	-	-	-	-
Derivative financial instruments (Note 13)	-	-	-	1,538
Accounts payable - trade (Note 18)	-	-	-	-
Accounts payable - other	-	-	-	-
Accrued expenses	-	-	-	-
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**-**	**1,538**

	30-06-2015			
	OTHER FINANCIAL LIABILITIES	**TOTAL FINANCIAL ASSETS AND LIABILITIES**	**NON FINANCIAL ASSETS AND LIABILITIES**	**TOTAL**
ASSETS				
Available-for-sale financial assets	-	77	-	77
Derivative financial instruments (Note 13)	-	26	-	26
Accounts receivable - trade (Note 12)	-	357,284	-	357,284
Accounts receivable - other	-	27,820	5,811	33,631
Cash and cash equivalents (Note 14)	-	8,903	-	8,903
TOTAL FINANCIAL ASSETS	**-**	**394,110**	**5,811**	**399,921**
LIABILITIES				
Borrowings (Note 16)	1,215,195	1,215,195	-	1,215,195
Derivative financial instruments (Note 13)	-	1,538	-	1,538
Accounts payable - trade (Note 18)	342,196	342,196	-	342,196
Accounts payable - other	44,075	44,075	67	44,142
Accrued expenses	149,090	149,090	-	149,090
TOTAL FINANCIAL LIABILITIES	**1,750,556**	**1,752,094**	**67**	**1,752,161**

Considering its nature, the balances of the amounts to be paid and received to/from state and other public entities were considered outside the scope of IFRS 7. Also, the captions of “Prepaid expenses” and “Deferred Income” were not included in this note, as the nature of such balances are not included in the scope of IFRS 7.

The Board of Directors believes that, the fair value of the breakdown of financial instruments recorded at amortised cost or registered at the present value of the payments does not differ significantly from their book value. This decision is based in the contractual terms of each financial instrument.

The Group's activity is subject to a variety of financial risks, such as market risk, liquidity risk and economical and judicial risks, which are described in the Management Report.

7. Tangible assets

At 31 December 2014 and 30 June 2015, this item was as follows:

	31-12-2014	30-06-2015
ACQUISITION COST		
Land	919	919
Buildings and other constructions	301,266	309,905
Basic equipment	2,285,138	2,417,053
Transportation equipment	11,031	10,853
Tools and dies	1,238	1,253
Administrative equipment	309,352	320,872
Other tangible assets	41,535	41,913
Tangible assets in-progress	93,172	44,423
	3,043,651	**3,147,191**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES		
Land	37	37
Buildings and other constructions	151,513	157,092
Basic equipment	1,420,704	1,508,978
Transportation equipment	5,349	5,937
Tools and dies	1,213	1,219
Administrative equipment	283,293	295,449
Other tangible assets	39,773	40,365
	1,901,882	**2,009,077**
	1,141,770	**1,138,114**

At 31 December 2014 and 30 June 2015, the tangible fixed assets net value is composed mainly by basic equipment, namely:

i) network and telecommunications infrastructure (fiber optic network and cabling, network equipment, and other equipment) in the amount of 759.3 million euros (31 December 2014: 718.5 million euros);

ii) Terminal equipment installed on client premises, included under Basic equipment, amounts to 148.8 million euros (31 December 2014: 145.9 million euros).

The acquisition cost of the "Tangible Assets" and "Intangible Assets" held by the Group under finance lease contracts at 31 December 2014 and 30 June 2015, amounted to 204.4 million euros and 211.9 million euros, and their net book value as of those dates amounted to 133.1 million euros and 128.2 million euros, respectively.

Tangible and intangible assets include interests and other financial expenses incurred directly related to the construction of certain tangible or intangible assets in progress. At 30 June 2015, total net value of these costs amounted to 15.2 million euros (31 December 2014: 14.4 million euros). The amount capitalised in the semesters ended on 30 June 2015 amounted to 1.5 million euros (31 December 2014: 2.7 million euros).

8. Intangible assets

At 31 December 2014 and 30 June 2015, this item was as follows:

	31-12-2014	30-06-2015
ACQUISITION COST		
Industrial property and other rights	1,414,048	1,450,794
Goodwill	641,599	641,599
Intangible assets in-progress	41,929	26,079
	2,097,576	**2,118,472**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES		
Industrial property and other rights	933,369	930,339
Intangible assets in-progress	-	3,745
	933,369	**934,084**
	1,164,207	**1,184,388**

At 30 June 2015, the item "Industrial property and other rights" includes mainly:

(1) A net amount of 157.4 million euros (31 December 2014: 160 million euros) mainly related to the investment, net of depreciation, made in the development of the UMTS network by NOS SA, including: (i) 46.5 million euros (31 December 2014: 48 million euros) related to the license, (ii) 15.5 million euros (31 December 2014: 16 million euros) related to the agreement signed in 2002 between Oni Way and the other three mobile telecommunication operators with activity in Portugal, (iii) 4.8 million euros (31 December 2014: 4.9 million euros) related to the "Fundação para as Comunicações Móveis'', established in 2007, under an agreement entered with Ministério das Obras Públicas, Transportes e Comunicações and the three mobile telecommunication operators in Portugal; and (iv) 78.5 million euros (31 December 2014: 79 million euros) related with the programme "Initiatives E"; and the net amount of 8 million euros (31 December 2014: 8.3 million euros) corresponding to the valuation of the license in the fair value allocation process resulting from the merger;

(2) A net amount of 100 million euros (31 December 2014: 101 million euros) corresponding to the current value of future payments related with the acquisition of rights of use for frequencies (spectrum) bands of 800 MHz, 1800 MHz, 2600 MHz, which will be used to develop 4th generation services (LTE - Long Term Evolution) and a net amount of 3.5 million euros (31 December 2014: 3.5 million euros) corresponding to the valuation of the license in the fair value allocation process resulting from the merger;

(3) A net amount of 62.3 million euros (31 December 2014: 66 million euros) relating to the contract for the exclusive acquisition of satellite capacity celebrated between NOS SA and Hispasat, which is recorded as a finance lease;

(4) Net amounts of approximately 54.6 million euros (31 December 2014: 42 million euros) and 20.3 million euros (31 December 2014: 20 million euros) corresponding to the capitalised costs related to customers' loyalty contracts and future rights to use movies and series, respectively;

(5) A net amount of approximately 31.2 million euros (31 December 2014: 38 million euros) corresponding to the valuation of Optimus customer portfolio under the fair value allocation process resulting from the merger.

Impairment tests on goodwill

Goodwill was allocated to the cash-generating units of each reportable segment, as follows:

	31-12-2014	30-06-2015
Telco	564,998	564,998
Audiovisuals	76,601	76,601
	641,599	**641,599**

In 2014 impairment tests were performed based on assessments in accordance with the discounted cash flow method, which corroborate the recoverability of the book value of the Goodwill. The amounts in these assessments are based on the historical performances and forecast growth of the businesses and their markets, incorporated in medium to long term plans approved by the Board.

These estimates are based on the following assumptions:

		AUDIOVISUALS SEGMENT	
	TELCO SEGMENT	NOS AUDIOVISUAIS	NOS CINEMAS
Discount rate (before taxes)	8.2%	8.2%	8.2%
Assessment period	5 years	5 years	5 years
EBITDA* Growth	2.7%	3.2%	6.5%
Perpetuity growth rate	2.0%	2.0%	2.0%

* EBITDA = Operational result + Depreciation and amortisation

In the Telco segment, the assumptions used are based on past performance, evolution of the number of customers, expected development of regulated tariffs, current market conditions and expectations of future development.

The number of years specified in the impairment tests depends on the degree of maturity of the various businesses and markets, and were determined on the basis of the most appropriate criterion for the valuation of each cash-generating unit.

Sensitivity analyses were performed on variations in discount rates of approximately 10%, from which no impairments resulted.

Sensitivity analyses were also performed for a perpetuity growth rate of 0%, from which no impairments also resulted.

At 30 June 2015, it was understood that the assumptions mentioned above in the impairment tests carried out in 2014 did not have relevant changes, therefore there is no evidence of impairement.

9. Investments in jointly controlled companies and associated companies

At 31 December 2014 and 30 June 2015, this item was composed as follows:

	31-12-2014	30-06-2015
INVESTMENTS - EQUITY METHOD		
Sport TV	26,772	26,833
Dreamia	2,466	2,995
Finstar	2,059	4,449
Mstar	(63)	122
Upstar	66	79
Distodo	98	92
Canal 20 TV, S.A.	(1)	(1)
East Star	36	36
Big Picture 2 Films	47	33
	31,480	**34,638**
ASSETS	**31,544**	**34,639**
LIABILITIES (NOTE 17)	**(64)**	**(1)**

Movements in "Investments in jointly controlled companies and associated companies" in the semesters ended on 30 June 2014 and 2015 were as follows:

	6M 14	6M 15
AS AT JANUARY 1	**17,702**	**31,480**
Gains / (losses) for the year (Note 25)	7,609	7,883
Dividends i)	-	(4,100)
Dissolutions	(50)	-
Entry of companies	36	-
Changes in equity ii)	(8)	(626)
AS AT JUNE 30	**25,289**	**34,638**

i) Dividends which were deliberated but not yet received from Finstar, were recorded under "Accounts receivable - Other" in the non – current assets.

ii) Amounts related to changes in equity of the companies registered by the equity method of consolidation is mainly related to foreign exchange impacts of the investment in other currencies than euro.

The Group's interest in the results and assets and liabilities of the jointly controlled companies and associated companies in the year ended on 31 December 2014 and semester ended on 30 June 2015 is as follows:

2014							
ENTITY	**ASSETS**	**LIABILITIES**	**EQUITY**	**REVENUE**	**NET INCOME**	**% HELD**	**GAIN/(LOSS) ATTRIBUTED TO THE GROUP**
Sport TV	111,895	58,352	53,543	111,419	(6,239)	50.00%	(3,120)
Dreamia	14,957	10,026	4,932	3,646	1,406	50.00%	703
Finstar	80,335	73,471	6,864	190,538	52,782	30.00%	15,835
Mstar	13,509	13,719	(211)	16,496	1,266	30.00%	380
Upstar	42,823	42,602	221	58,150	22	30.00%	7
Distodo	66	10	56	213	166	50.00%	83
Canal 20 TV, S.A.	55	57	(2)	-	-	50.00%	-
East Star	137	17	120	-	-	30.00%	-
Big Picture 2 Films	2,498	2,262	236	7,642	237	20.00%	47
	266,276	**200,515**	**65,761**	**388,103**	**49,640**		**13,935**

2015							
ENTITY	**ASSETS**	**LIABILITIES**	**EQUITY**	**REVENUE**	**NET INCOME**	**% HELD**	**GAIN/(LOSS) ATTRIBUTED TO THE GROUP**
Sport TV	99,656	45,987	53,668	60,167	125	50.00%	62
Dreamia	17,554	11,564	5,990	2,618	1,059	50.00%	529
Finstar	94,650	79,820	14,830	110,478	23,859	30.00%	7,158
Mstar	6,745	6,339	406	9,667	440	30.00%	132
Upstar	113,005	112,742	262	33,100	41	30.00%	12
Distodo	50	6	45	0	(0)	50.00%	-
Canal 20 TV, S.A.	55	57	(2)	-	-	50.00%	-
East Star	137	17	120	-	-	30.00%	-
Big Picture 2 Films	1,310	1,148	163	2,438	(50)	20.00%	(10)
	333,162	**257,679**	**75,483**	**218,468**	**25,473**		**7,883**

10. Taxes payable and receivable

At 31 December 2014 and 30 June 2015, these items were composed as follows:

	31-12-2014		30-06-2015	
	RECEIVABLE	**PAYABLE**	**RECEIVABLE**	**PAYABLE**
CURRENT				
Value-added tax	2,378	10,721	2,812	12,096
Income taxes	2,214	-	4,660	-
Personnel income tax witholdings	-	1,730	-	3,418
Social Security contributions	-	1,990	-	2,961
Other	430	135	430	121
	5,022	**14,576**	**7,902**	**18,596**
NON CURRENT				
Tax authorities (Note 32)	7,640	-	7,559	-
Provision	(3,408)	-	(3,408)	-
	4,232	**-**	**4,151**	**-**
	9,254	**14,576**	**12,053**	**18,596**

At 31 December 2014 and 30 June 2015 the amounts of IRC (Corporate Income Tax) receivable and payable were composed as follows:

	31-12-2014	30-06-2015
Estimated current tax on income	(3,612)	(2,887)
Payments on account	4,393	4,230
Withholding income taxes	684	2,439
Other	749	878
	2,214	**4,660**

11. Income tax expense

During the semester ended on 30 June 2015, NOS and its associated companies are subject to IRC - Corporate Income Tax - at the rate of 21% (16.8% in the case of NOS Açores), plus IRC surcharge at the maximum rate of 1.5% on taxable profit, giving an aggregate rate of approximately 22.5%. Following the introduction of the austerity measures approved by Law 66-B/2012 of 31 December, this rate was raised in 3% on the amount of a company's taxable profit between 1.5 million euros and 7.5 million euros, and in 5% on the amount of a company's taxable profit exceeding 7.5 million euros. Additionally, in the measures approving the IRC reform, published by Law 2/2014 of 16 January, a new level was added to the IRC surcharge where the rate is raised in 7% over the company's taxable profit above 35 million euros.

In the calculation of taxable income, to which the above tax rates apply, amounts which are not fiscally allowable are added to and subtracted from the book results. These differences between accounting income and taxable income may be of a temporary or permanent nature.

NOS is taxed in accordance with the special taxation regime for groups of companies (RETGS), which covers the companies in which it directly or indirectly holds at least 75% of their share capital and which fulfil the requirements of Article 69 of the IRC Code.

The companies covered by the RETGS in 2015 are:

- NOS (parent company)
- Empracine
- Lusomundo Imobiliária 2
- Lusomundo SII
- NOS Sistemas
- NOS Audiovisuais
- NOS Cinemas
- NOS Inovação
- NOS Lusomundo TV
- NOS Madeira
- NOSPUB
- NOS SA
- NOS Technology
- NOS Towering
- Per-mar
- Sontária

Under current legislation, tax declarations are subject to review and correction by the tax authorities for a period of four years (five years in the case of Social Security), except where tax losses have occurred (where the period is five or six years) or tax benefits have been obtained or inspections, appeals or disputes are in progress, in which case, depending on the circumstances, the periods are extended or suspended.

The Board of Directors of NOS, based on information from its tax advisers, believes that these and any other revisions and corrections to these tax declarations, as well as other contingencies of a fiscal nature, will not have a significant effect on the consolidated financial statements as at 30 June 2015.

A) Deferred tax

NOS and its associated companies have reported deferred tax relating to temporary differences between the taxable basis and the book amounts of assets and liabilities, and tax losses carried forward at the date of the statement of financial position.

The movements in deferred tax assets and liabilities for the semesters ended on 30 June 2014 and 2015 were as follows:

	31-12-2013 RESTATED	DEFERRED TAXES OF THE PERIOD		30-06-2014 RESTATED
		INCOME (NOTE B)	EQUITY (NOTE 15)	
DEFERRED INCOME TAX ASSETS				
Doubtful accounts receivable	16,073	(5,975)	-	10,098
Inventories	3,216	784	-	4,000
Other provision and adjustments	81,869	(7,319)	-	74,550
Intragroup gains	27,876	(1,026)	-	26,850
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	12,347	(6,496)	-	5,851
Derivatives	693	-	92	785
Tax incentives	14,393	(1,608)	-	12,785
	156,467	**(21,640)**	**92**	**134,919**
DEFERRED INCOME TAX ASSETS				
Reavaluation of fixed assets	1,415	(1,127)	-	288
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	13,134	693	-	13,827
Derivatives	-		2	2
Other	907	723	-	1,630
	15,456	**289**	**2**	**15,747**
NET DEFERRED TAX	**141,011**	**(21,929)**	**90**	**119,172**

	31-12-2014	DEFERRED TAXES OF THE PERIOD		30-06-2015
		INCOME (NOTE B)	EQUITY (NOTE 15)	
DEFERRED INCOME TAX ASSETS:				
Doubtful accounts receivable	7,442	(4,542)	-	2,900
Inventories	3,784	(585)	-	3,199
Other provision and adjustments	79,817	(913)	-	78,904
Intragroup gains	19,973	(480)	-	19,493
Liabilities recorded as part of the allocation of fair value to the liabilities acquired in the merger	9,744	(996)	-	8,748
Derivatives	427	-	(71)	356
Tax incentives	19,297	(4,192)	-	15,105
Tax losses carried forward	631	(631)	-	-
	141,115	**(12,339)**	**(71)**	**128,705**
DEFERRED INCOME TAX LIABILITIES:				
Reavaluation of fixed assets	3	(2)	-	1
Revaluations of assets as part of the allocation of fair value to the assets acquired in the merger	14,617	(1,915)	-	12,702
Derivatives	137	-	(131)	6
Other	2,480	100	-	2,580
	17,237	**(1,817)**	**(131)**	**15,289**
NET DEFERRED TAX	**123,878**	**(10,522)**	**60**	**113,416**

At 30 June 2015, the deferred tax assets related to the other provisions and adjustments are mainly due: i) impairments and acceleration of amortisations beyond the acceptable fiscally and other adjustments in tangible and intangible assets, amounted to 61.0 million euros (31 December 2014: 62.1 million euros); ii) other provisions amounted to 17.8 million euros (31 December 2014: 17.7 million euros).

At 30 June 2015, the deferred tax liability related to the revaluation of assets related to the allocation of fair value of the assets acquired in the merger is related to the appreciation of customers' portfolio, telecommunications licenses and other assets of Optimus Group companies.

At 30 June 2015 were not recognised deferred tax assets in the amount of 7.1 million euros (31 December 2014: 13.9 million euros) related to: i) tax losses of 6.2 million euros (31 December 2014: 10.3 million euros), originated in the years 2009 and 2013, not recorded due to the deduction of tax provisions (Note 17), ii) tax incentives amounting to 0.7 million euros (31 December 2014: 3.4 million euros), and iii) temporary differences in the amount of 0.2 million euros (31 December 2014: 0.2 million euros).

Deferred tax assets were recognised where it is probable that taxable profits will occur in future that may be used to absorb tax losses or deductible tax differences. This assessment was based on the business plans of the Group's companies, which are regularly revised and updated.

At 30 June 2015, the tax rate used to calculate the deferred tax assets relating to tax losses carried forward was 21% (31 December 2014: 21%). In the case of temporary differences, the rate used was 22.5% (31 December 2014: 22.5%) increased to a maximum of 6.2% (31 December 2014: 6.2%) of state surcharge when understood as likely the taxation of temporary differences in the estimated period of application of the state surcharge. Tax benefits, related to deductions from taxable income, are considered 100%, and in some cases, their full acceptance is conditional upon the approval of the authorities that grants such tax benefits.

Under the terms of Article 88 of the IRC Code, the Company is subject to autonomous taxation on a series of charges at the rates set out in that Article.

Under the terms of current legislation in Portugal, tax losses generated up to 2009, or in 2010 and 2011, and from 2012 to 2013 and from 2014 onwards may be carried forward for a period of six years, four years, five years and twelve years, respectively, after their occurrence and may be deducted from taxable profits generated during that period, up to a limit of 75% of the taxable profit in 2013 and 70% of taxable profit in the following years.

B) Effective tax rate reconciliation

In the semesters ended on 30 June 2014 and 2015, the reconciliation between the nominal and effective rates of tax was as follows:

	2ND QUARTER 14	6M 14	2ND QUARTER 15	6M 15
Income before taxes	23,315	56,207	32,151	61,826
Statutory tax rate	24.5%	24.5%	24.5%	22.5%
ESTIMATED TAX	**5,712**	**13,771**	**7,234**	**13,911**
Permanent differences i)	(542)	(1,831)	54	(1,375)
Underestimated / (Overestimated) corporate tax	(2,744)	(2,744)	(583)	(583)
Tax benefits ii)	(579)	(938)	(401)	(374)
State surcharge	1,529	2,424	1,952	2,757
Autonomous taxation	426	687	192	375
Provisions (Note 17)	852	852	(95)	(90)
Other	139	(100)	(148)	39
INCOME TAXES	**4,794**	**12,121**	**8,205**	**14,660**
Effective Income tax rate	20.6%	21.6%	25.5%	23.7%
Income tax	(3,507)	(2,772)	1,309	4,138
Deferred tax	8,301	14,893	6,896	10,522
	4,794	**12,121**	**8,205**	**14,660**

i) At 30 June 2014 and 2015 the permanent differences were composed as follows:

	2ND QUARTER 14	6M 14	2ND QUARTER 15	6M 15
Equity method (Note 25)	(2,706)	(7,609)	(540)	(7,883)
Other	494	134	780	1,773
	(2,212)	**(7,475)**	**240**	**(6,110)**
	24.5%	24.5%	22.5%	22.5%
	(542)	**(1,831)**	**54**	**(1,375)**

ii) This item corresponds to the amount of deferred taxes and the use of tax benefits for which there was no record of deferred taxes: SIFIDE (Business Research and Development Tax Incentives System), a tax benefit introduced by Law 40/2005 of 3 August, of the RFAI (Investment Tax Incentive Regime) introduced by Law 10/2009 of 10 March and of the CFEI (Tax Credit for Extraordinary Investment) introduced by Law 49/2013 of 16 July. Under the terms of the IRC (Corporate Income Tax) Code, the tax paid may not be less than 90% of the amount which would result if the Company did not benefit from tax benefits. Therefore, this amount corresponds to that difference, given that the amount is recorded in the controlling company under the Special Taxation Regime for Groups of Companies, and the tax benefits are recorded in the controlled companies.

12. Accounts receivable – trade

At 31 December 2014 and 30 June 2015, this item was as follows:

	31-12-2014	30-06-2015
Trade receivables	257,873	288,562
Doubtful accounts for trade receivables	175,789	177,137
Unbilled revenues	73,654	68,722
	507,316	**534,421**
Impairment of trade receivable	(175,789)	(177,137)
	331,527	**357,284**

Unbilled revenues mainly correspond to revenues related to services rendered that will only be invoiced in the month following the provision of the service.

The movements occurred in impairment adjustments were as follows:

	6M 14	6M 15
AS AT JANUARY 1	**180,383**	**175,789**
Increases and decreases (Note 24)	(267)	(3,462)
Penalties - i)	-	6,053
Receivables written off and others	(5)	(1,243)
AS AT JUNE 30	**180,111**	**177,137**

i) Penalties correspond to the estimated amount of uncollectible invoiced penalties recognised in the period, deducted from revenue, as described in note 32.6.

13. Derivative financial instruments

13.1 Exchange rate derivatives

Exchange rate risk is mainly related to exposure resulting from payments made to certain producers of audiovisual content and equipment for the Pay TV, broadband and voice business. Business transactions between the Group and these suppliers are mainly denominated in US dollars.

Depending on the balance of accounts payable resulting from transactions denominated in a currency different from the Group's operating currency, the NOS Group may contract financial instruments, namely short-term foreign currency forwards, in order to hedge the risk associated with these balances. At the date of the statement of financial position there were foreign currency forwards open for 4,479 thousand Dollars (31 December 2014: 8,885 thousand Dollars), the fair value amounts to a loss of about 153 thousand euros (31 December 2014: loss of about 368 thousand euros) which is stated in liabilities as a contra entry in shareholder's equity.

13. 2 Interest rate derivatives

At 30 June 2015, NOS had contracted three interest rate swaps totaling of 275 million euros (31 December 2014: 275 thousand euros), whose maturities expire in 2015 (one swap in the amount of 100 million euros), 2017 (one swap in the amount of 75 million euros) and 2019 (one swap in the amount of 100 million euros). The fair value of interest rate swaps, in the negative amount of 1.4 million euros (31 December 2014: negative amount of 1.9 million euros) was recorded in liabilities, against shareholder's equity.

Derivative financial instruments

		31-12-2014			
		ASSETS		**LIABILITIES**	
	NOTIONAL	**CURRENT**	**NON CURRENT**	**CURRENT**	**NON CURRENT**
Interest rate swaps	275,000	-	-	-	1,899
Exchange rate forward	5,474	368	-	-	-
	280,474	**368**	**-**	**-**	**1,899**

		30-06-2015			
		ASSETS		**LIABILITIES**	
	NOTIONAL	**CURRENT**	**NON CURRENT**	**CURRENT**	**NON CURRENT**
Interest rate swaps	275,000	26	-	-	1,385
Exchange rate forward	3,986	-	-	153	-
	278,986	**26**	**-**	**153**	**1,385**

Movements during the semesters ended on 30 June 2014 and 2015 were as follows:

	31-12-2013	RESULT	EQUITY	30-06-2014
Fair value interest rate swaps	(2,682)	-	(468)	(3,150)
Fair value exchange rate forward	(132)	-	140	8
CASH FLOW HEDGE DERIVATIVES	**(2,814)**	**-**	**(328)**	**(3,142)**
Deferred income tax liabilities	-	-	(2)	(2)
Deferred income tax assets	693	-	92	785
DEFERRED INCOME TAX	**693**	**-**	**90**	**783**
	(2,121)	**-**	**(238)**	**(2,359)**

	31-12-2014	RESULT	EQUITY	30-06-2015
Fair value interest rate swaps	(1,899)	-	540	(1,359)
Fair value exchange rate forward	368	-	(521)	(153)
CASH FLOW HEDGE DERIVATIVES	**(1,531)**	**-**	**19**	**(1,512)**
Deferred income tax liabilities	(137)	-	131	(6)
Deferred income tax assets	427	-	(71)	356
DEFERRED INCOME TAX	**290**	**-**	**60**	**350**
	(1,241)	**-**	**79**	**(1,162)**

14. Cash and cash equivalents

At 31 December 2014 and 30 June 2015, this item was composed as follows:

	31-12-2014	30-06-2015
Cash	1,539	201
Deposits	10,865	8,029
Other deposits i)	8,666	673
	21,070	**8,903**

i) At 31 December 2014 and 30 June 2015, term deposits have short-term maturities and bear interest at normal market rates.

15. Shareholder's equity

15.1 Share capital

At 31 December 2014 and 30 June 2015 the share capital of NOS was 5,151,613.80 euros, represented by 515,161,380 shares registered book-entry shares, with a nominal value of 1 euro cent per share.

The main shareholders as of 31 December 2014 and 30 June 2015 are:

	31-12-2014		30-06-2015	
	NUMBER OF SHARES	% SHARE CAPITAL	NUMBER OF SHARES	% SHARE CAPITAL
ZOPT, SGPS, SA (1)	257,632,005	50.01%	257,632,005	50.01%
Morgan Stanley	11,902,331	2.31%	33,409,890	6.49%
Banco BPI, SA (2)	23,287,499	4.52%	23,473,904	4.56%
Sonaecom, SGPS, SA (3)	11,012,532	2.14%	11,012,532	2.14%
Norges Bank	-	-	10,891,068	2.11%
TOTAL	**303,834,367**	**58.98%**	**336,419,399**	**65.30%**

(1) In accordance with subparagraphs 1.b) and 1.c) of Article 20 and Article 21 of the Security Code, a qualified shareholding of 52.15% of the share capital and voting rights of company, calculated in accordance with Article 20.º of the Securities Code, is attributable to ZOPT, Sonaecom and the following entities:

a. Kento Holding Limited and Unitel International Holdings B.V., as well as Isabel dos Santos, being (i) Kento Holding Limited and Unitel International Holdings, B.V., companies directly and indirectly controlled by Isabel Santos, and (ii) ZOPT, a jointly controlled company by its shareholders Kento Holding Limited, Unitel International Holdings B.V. and Sonaecom under the shareholder agreement signed between them;

b. Entities in a control relationship with Sonaecom, namely, Sontel B.V., Sonae Investments B.V., Sonae, SGPS, S.A., Efanor Investimentos, SGPS, S.A. and Belmiro Mendes de Azevedo, also due of such control and of the shareholder agreement mentioned in a.

(2) Under the terms of paragraph 1 of Article 20 of the Portuguese Securities Code, the voting rights corresponding to 4.56% of NOS Share Capital, held by Banco BPI Pension Fund and BPI Vida - Companhia de Seguros de Vida, S.A are attributable to Banco BPI.

(3) Qualified Shareholding according to the results of the Public Offer disclosed by Sonaecom, SGPS, SA on 20 Feburary 2014.

15.2 Capital issued premium

On 27 August 2013, and following the completion of the merger between ZON and Optimus SGPS, the Company's share capital was increased by 856,404,278 euros, corresponding to the total number of issued shares (206,064,552 shares), based on the closing market price of August 27. The capital increase is detailed as follows:

i) share capital in the amount of 2,060,646 euros;

ii) premium for issue of shares in the amount of 854,343,632 euros.

Additionally, the premium for issue of shares was deducted in the amount of 125 thousand euros related to costs with the respective capital increase.

The capital issued premium is subject to the same rules as for legal reserves and can only be used:

a) To cover part of the losses on the balance of the year that cannot be covered by other reserves;

b) To cover part of the losses carried forward from the previous year that cannot be covered by the net income of the year or by other reserves;

c) To increase the share capital.

15.3 Own shares

Company law regarding own shares requires the establishment of a non-distributable reserve of an amount equal to the purchase price of such shares, which becomes frozen until the shares are disposed of or distributed. In addition, the applicable accounting rules determine that gains or losses on the disposal of own shares are stated in reserves.

At 30 June 2015 there were 601,833 own shares, representing 0.1168% of the share capital (31 December 2014: 2,496,767 own shares, representing 0.4847% of the share capital).

Movements in the semesters ended on 30 June 2014 and 2015 were as follows:

	QUANTITY	VALUE
BALANCE AS AT 1 JANUARY 2014	**403,382**	**2,003**
Acquisition of own shares	3,691,471	19,202
Loan of own shares	950,000	4,869
Reimbursement of the loan of own shares	(576,100)	(2,948)
Distribution of own shares - share incentive scheme	(2,102,399)	(10,932)
Distribution of own shares - share Public Offering	(1,706,761)	(8,915)
Distribution of own shares - other remunerations	(128,331)	(660)
BALANCE AS AT 30 JUNE 2014	**531,262**	**2,619**
BALANCE AS AT 1 JANUARY 2015	**2,496,767**	**11,791**
Acquisition of own shares	61,764	401
Distribution of own shares - share incentive scheme	(1,900,079)	(8,974)
Distribution of own shares - other remunerations	(56,619)	(269)
BALANCE AS AT 30 JUNE 2015	**601,833**	**2,949**

During the first semester of 2014, NOS received, reimbursed and paid the totality of the 950,000 own shares loan with Sonaecom, SGPS, S.A. ("Sonaecom").

NOS made a Public Offering in a maximum of 1,750,000 ordinary, registered and nominative shares, with a value of 0.01 euros each, representative of 0.340% of NOS's share capital, destined to the Group's employees. The Offer was made under the NOS's Short and Mid Term Variable Remuneration Regulation and relates to the employees' short term variable remuneration. Relating to that Offer, purchase orders in an amount of 1,706,761 shares representative of NOS's share capital were received and processed and therefore the same amount of 1,706,761 shares was acquired by the employees that presented the related purchase order, at the acquisition price corresponding to the NOS' shares' closing price as at 12 May 2014 (5.125 euros), with a discount of 90% over that price (price of 0.5125 euros per share).

The Offer's main goals were: (i) to align the interest of those to whom the Offer was addressed with the goals and interest of NOS' shareholders, (ii) to promote their loyalty to the Group, and also, consequently, (iii) to foster the Group's corporate results.

15.4 Reserves

Legal reserve

Company law and NOS's Articles of Association establish that at least 5% of the Company's annual net profit must be used to build up the legal reserve until it corresponds to 20% of the share capital. This reserve cannot be distributed except in the event of liquidation of the company, but it may be used to absorb losses after all other reserves have been exhausted, or for incorporation in the share capital.

Other reserves

Under Portuguese law, the amount of distributable reserves is determined according to the individual financial statements of the company prepared in accordance with IAS / IFRS. Thus, on 30 June 2015, NOS had reserves which by their nature are considered distributable in the amount of approximately 118 million euros.

Dividends

The General Meeting of Shareholders held on 23 April 2014 approved a proposal by the Board of Directors for payment of an ordinary dividend per share of 0.12 euros, totaling 61,819 thousand euros. The dividend attributable to own shares, totaling one thousand euros.

	DIVIDENDS
Dividends	61,819
Dividends of own shares	(1)
	61,818

In the first semester of 2014, dividends totaling 194 thousand euros were paid to the minority shareholders of NOS Madeira.

The General Meeting of Shareholders held on 6 May 2015 approved a proposal by the Board of Directors for payment of an ordinary dividend per share of 0.14 euros, totaling 72,123 thousand euros. The dividend attributable to own shares, totaling 80 thousand euros.

	DIVIDENDS
Dividends	72,123
Dividends of own shares	(80)
	72,043

In the first semester of 2015, dividends totaling 173 thousand euros were paid to the minority shareholders of NOS Madeira.

16. Borrowings

At 31 December 2014 and 30 June 2015, the composition of borrowings was as follows:

	31-12-2014		30-06-2015	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
LOANS - NOMINAL VALUE	**470,876**	**494,958**	**135,289**	**930,462**
Debenture loan	240,000	275,000	-	475,000
Commercial paper	130,000	115,000	30,000	350,000
Foreign loans	99,397	104,958	99,623	105,462
National loans	-	-	3,741	-
Bank overdrafts	1,479	-	1,925	-
LOANS - ACCRUALS AND DEFERRALS	**(2,232)**	**(1,171)**	**485**	**(3,420)**
FINANCIAL LEASES	**34,863**	**122,739**	**36,746**	**115,633**
Long Term Contracts	19,614	93,807	15,893	89,670
Other	15,249	28,932	20,853	25,963
	503,508	**616,526**	**172,520**	**1,042,675**

During the semester ended on 30 June 2015, the average cost of debt of the used lines was approximately 3.42% (4.55% in 2014).

The NOS Group uses a sensitivity analysis technique which measures the expected impacts on results and equity of an immediate increase or decrease of 0.25% (25 basis points) in market interest rates, for the rates applying at the date of the statement of financial position for each class of financial instrument, with all other variables remaining constant. This analysis is for illustrative purposes only, since in practice market rates rarely change in isolation.

Under these assumptions, an increase or decrease of 0.25% in market interest rates for loans that are not covered or loans with variable interest at 30 June 2014 would have resulted in an increase or decrease in annual profit before tax of approximately 0.5 million euros.

16.1 Debenture loans

At 31 December 2014, the Company has issued "ZON Multimédia Bonds 2012-2015", in the amount of 200 million euros. NOS launched a Public Offer for Subscription of Bonds for the general public, in June 2012, with a maturity of three years and interest paid semiannually at a fixed rate. These bonds were paid in June 2015.

At 31 December 2014, in addition to the "ZON Multimédia Bonds 2012-2015" abovementioned, the Company had issued a bond loan of 40 million euros hired by Sonaecom in March 2010 and transferred to NOS in 2013 following the merger. The loan bears interest at variable rates, indexed to Euribor and paid semiannually. This issue was organised and mounted, respectively, by Banco Espírito Santo de Investimento and Caixa - Banco de Investimento.

At 30 June 2015, the Company has the following bonds issued, totaling 475 million euros, with maturity after 30 June 2016:

i) A bond loan in the amount 100 million euros organised by BPI Bank in May 2014 and maturing in November 2019. The loan bears interest at variable rates, indexed to Euribor and paid semiannually.

ii) A bond loan organised by four financial institutions, amounting to 175 million euros and maturing in September 2020. The loan bears interest at variable rates, indexed to Euribor and paid semiannually.

iii) A private placement in the amount of 150 million euros organised by BPI Bank and Caixa - Banco de Investimento in March 2015 maturing in March 2022. The loan bears interest at variable rates, indexed to Euribor and paid semiannually.

iv) A bond loan in the amount of 50 million euros organised by CaixaBank and maturing in June 2019. The loan bears quarterly interest at fixed rates.

The amount of 1,348 thousand euros, corresponding to interest and commissions, was deducted from this amount and recorded in the item "Loans - accruals and deferrals".

16.2 Commercial paper

The Company has borrowings of 380 million euros, in the form of commercial paper contracted with seven banks, corresponding to six programs, earning interest at market rates. Grouped commercial paper programmes with maturities over 1 year totaling 350 million euros are classified as non-current, since the Company has the ability to unilaterally renew the current issues on or before the programmes' maturity dates and because they are underwritten by the organizer. This amount, although it has current maturity, was classified as non-current for purposes of presentation in the statement of financial position.

An amount of 1,248 thousand euros, corresponding to interest and commissions, was deducted from this amount and recorded in the item "Loans - accruals and deferrals".

16.3 Foreign Loans

In September 2009, NOS and NOS SA signed a Next Generation Network Project Finance Contract with the European Investment Bank in the amount of 100 million euros. This contract matures in September 2015 and is intended for investments relating to the implementation of the next generation network. At 30 June 2015, an amount of 377 thousand euros was deducted from this amount, corresponding to the benefit associated with the fact that the loan is at a subsidized rate.

Additionally, in November 2013, NOS signed a Finance Contract with the European Investment Bank in the amount of 110 million euros to support the development of the mobile broadband network in Portugal. In June 2014 the total amount of funds was used. This contract matures in a maximum period of 8 years from the use of the funds. This contract matures in a maximum period of eight years from the use of the funds. At 30 June 2015, an amount of 4,538 thousand euros was deducted from this amount, corresponding to the benefit associated with the fact that the loan is at a subsidized rate.

An amount of 339 thousand euros, corresponding to interest and commissions, was deducted from this amount and recorded in the item “Loans - accruals and deferrals”.

16.4 Financial leases

On 31 December 2014 and 30 June 2015, the long-term contracts are mainly related to contracts signed by NOS SA for the acquisition of exclusive satellite use, to the contracts signed by NOS SA and NOS Technology related to the purchase of rights to use the distribution network and the contract signed by NOS Cinemas regarding the acquisition of digital equipment.

These medium and long term agreements under which the group has the right to use a specific asset are recorded as finance leases in accordance with IAS 17 - Leases and IFRIC 4 - "Determining whether an arrangement contains a lease".

Financial leases – payments

	31-12-2014	**30-06-2015**
Until 1 year	37,535	43,743
Between 1 and 5 years	98,821	74,512
Over 5 years	48,584	61,900
	184,941	**180,155**
Future financial costs	(27,339)	(27,776)
PRESENT VALUE OF FINANCE LEASE LIABILITIES	**157,602**	**152,379**

Financial leases – present value

	31-12-2014	30-06-2015
Until 1 year	34,863	36,746
Between 1 and 5 years	79,525	61,696
Over 5 years	43,214	53,937
	157,602	**152,379**

All bank borrowings contracted (with the exception of new EIB loan of 110 million euros, bond loan in the amount 50 million euros and finance leases) are negotiated at variable short term interest rates and their book value is therefore broadly similar to their fair value.

The maturities of the loans obtained are as follows:

	31-12-2014			30-06-2015		
	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	UNTIL 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS
Debenture loan	238,997	99,971	174,757	1,734	146,306	325,612
Commercial paper	128,771	114,588	-	29,090	349,662	-
Foreign loans	99,397	50,984	53,487	99,284	69,300	36,162
National loans	-	-	-	3,741	-	-
Bank overdrafts	1,479	-	-	1,925	-	-
Financial Leases	34,863	79,525	43,214	36,746	61,696	53,937
	503,508	**345,067**	**271,459**	**172,520**	**626,964**	**415,711**

17. Provisions and adjustments

At 31 December 2014 and 30 June 2015, the provisions were as follows:

	31-12-2014	30-06-2015
Litigation and other - i)	50,129	56,142
Financial investments - ii)	64	1
Dismantling and removal of assets - iii)	18,131	20,879
Contingent liabilities - iv)	34,673	34,673
Contingencies - other - v)	24,224	22,126
	127,221	**133,821**

i) The amount under the item "Litigation and other" corresponds to provisions to cover the legal and tax claims of which stand out:

a. Future credits transferred: for the year ended at 31 December 2010, the subsidiary NOS SA was notified of the Report of Tax Inspection, where it is considered that the increase, when calculating the taxable profit for the year 2008, of the amount of 100 million euros, with respect to initial price of future credits transferred to securitization, is inappropriate. Given the principle of periodisation of taxable income, NOS SA was subsequently notified of the improper deduction of the amount of 20 million euros in the calculation of taxable income between 2009 and 2012 (tax inspection report received in January 2015). Given that the increase made in 2008 was not accepted due to not complying with Article 18 of the CIRC, also in the years following, the deduction corresponding to credits generated in that year, will eliminate the calculation of taxable income, to meet the annual amortisation hired as part of the operation (20 million per year during 5 years). NOS SA challenged the decisions regarding 2008, 2009, 2010 and 2011 fiscal years and will challenge, in time, the decision regarding 2012 fiscal year. Regarding the year 2008, the Administrative and Fiscal Court of Porto has already decided unfavorably, in March 2014. The company has appealed;

b. Infringement proceedings due to an alleged failure, by NOS SA, to apply the resolutions taken by ANACOM on 26 October 2005, concerning termination rates for fixed calls. Following a deliberation of Board of Directors of the regulator, in April 2012, a fine of approximately 6.5 million euros was applied to NOS SA; NOS SA has appealed for the judicial review of the decision and the court has declared the process's nullity (violation of NOS, SA's right of defense). In April 2014 ANACOM has notified NOS SA of a new judicial process, based on the same accusations. This process is a repetition of the initial one. In September 2014, ANACOM, based on the same facts, fine on NOS SA in the amount of 6.5 million euros. This decision was contested by NOS SA. In May 2015, it was acquitted, which revoked the decision by ANACOM and the fine which had been applied. ANACOM appealed the decision and the process is currently on appeal in Lisbon Court of Appeal;

c. Supplementary Capital: the fiscal authorities are of the opinion that NOS SA has broken the principle of full competition under the terms of (1) of article 58 of the Corporate Tax Code (CIRC), by granting supplementary capital to its subsidiary Be Towering, without having been remunerated at a market interest rate. In consequence, it has been notified, with regard to the years 2004, 2005, 2006 and 2007, of corrections to the determination of its taxable income in the total amount of 20.5 million euros. NOS SA contested the decision with regard to all the above mentioned years. As for the year 2007, the Fiscal and Administrative Court of Oporto has already decided unfavourably. The company has contested this decision;

d. Action brought by PT against NOS Madeira, claiming the payment of 1.6 million euros, plus interests, for the alleged use of ducts, supply of the MID service, supply of video and audio channels, operating, maintenance and management costs of the Madeira/Porto Santo undersea cable and the use of two fiber optic circuits. NOS contested the action, in particular the prices concerned, the services and the legitimacy of PT in respect of the ducts. A decision was handed down in late July 2013, favorable to NOS Madeira. As a consequence of this decision, PT appealed to the Lisbon Court of Appeal. In June 2015, the decision was handed down which fully acquitted NOS Madeira relative to MID and confirmed the lower court decision. This decision is still subject to Appeal until mid-September;

e. Infringement proceedings in the amount of approximately 4.5 million euros, established by the National Commission for Data Protection ("CNPD") against NOS SA subsidiary, for alleged violations of rules relating to legal protection of data. During the project phase of decision, NOS SA argued, firstly, a set of procedural irregularities and, secondly, a set of fact and law arguments that the Board understood to impose a final decision to dismiss the case. However, on 16 January 2014, NOS SA received a settlement notice regarding the fine imposed by the CNPD, against which appealed to the courts. On 8 September 2014, the Court for Competition, Regulation and Supervision ("Tribunal da Concorrência, Regulação e Supervisão") reduced the value of the fine to 600 thousand euros. NOS SA appealed against this decision. As a consequence of this decision, the provision was reduced by 3.9 million euros. On 5 February 2015, the Lisbon Court of Appeal set the fine at 100 thousand euros, a decision which became final and unappealable. NOS reverted the provision in the amount of 500 thousand euros and paid the fine in April 2015.

ii) The amount under the item "Financial investments" corresponds to the liabilities assumed, in addition to the investment made, by the Group in jointly controlled companies and associated companies (Note 9);

iii) The amount under the item "Dismantling and removal of assets " refers to the estimated future costs discounted to the present value, related with the termination of the use of the space where there are telecommunication towers and cinemas;

iv) The amount in the item "Contingent liabilities" refers to several provisions recorded for present but not likely obligations, related to the merger by incorporation of Optimus SGPS, namely:

a. Extraordinary contribution toward the fund for the compensation of the net costs of the universal service of electronic communications (CLSU): The Extraordinary contribution toward the fund for the compensation of the net costs of the universal service of electronic communications (CLSU) is legislated in Articles 17 to 22 of Law nr 35/2012, of 23 August. From 1995 until June 2014, PT Comunicações, SA (PTC) was the sole provider for the universal service of electronic communications, having been designated illegally by the government, i.e without a tender procedure, as acknowledged by the European Court of Justice who, through its decision taken in June 2014, condemned the Portuguese State to pay a fine of 3M € for illegally designating Portugal Telecom. In accordance with Article 18 of the abovementioned Law 35/2012, the net costs incurred by the operator responsible for providing the universal service, approved by IPC-ANACOM, must be shared between other companies who provide, in national territory public communication networks and publicly accessible electronic communications services. NOS is therefore within the scope of this extraordinary contribution given that PTC has being requesting the payment of CLSU to the compensation fund of the several periods during which it was responsible for providing the services. The compensation fund can be activated to compensate the net costs of the electronic communications universal service, relative to the period before the designation of the provider by tender, whenever, cumulatively (i) there are net costs, considered excessive, the amount of which is approved by ICP-ANACOM, following an audit to their preliminary calculation and support documents, which are provided by the universal service provider, and (ii) the universal service provider requester the Government compensation for the net costs approved under the terms previously mentioned. In September 2013, ICP-ANACOM delivered to approve the final results of the CLSU audit presented by PTC, relative to the period from 2007 to 2009, in a total amount of 66.8 million euros, a decision which was contested by NOS and about which NOS was, in June 2014, notified of the argument provided by ICP-ANACOM. Also in June 2014, ICP-ANACOM requested NOS to send the information regarding the revenue eligible, for the purpose of the contribution toward the compensation fund relative to the period from 2007 to 2009. This information was sent with the reservation that it did not signal NOS' acceptance or agreement as to the existence of any obligation to pay the extraordinary contribution. In November 2014, ICP – ANACOM deliberated to approve the final results of the CLSU audit by PTC, relative to the period from 2010 to 2011, in a total amount of 47 million euros, a decision also contested by NOS. Upon completion of an audit to the amount of revenues eligible reported in June 2014, in January 2015, ANACOM issued the settlement notes in the amount of 18.6 million euros related to NOS CLSU 2007 to 2009, which were contested in March 2015 and for which a bail was presented (Note 30) to avoid Tax Execution Proceedings. In June 2015, ANACOM has notified NOS SA with regards to the probable decision regarding the results of the audit to CLSU presented by PTC, for the year 2012, in the amount of 26.4 million euros. It is expected that PTC will submit to ICP-ANACOM the CLSU calculations incurred in the period from 2013 and the first semester of 2014. At the moment, It is estimated that the contribution of NOS, SA, relative to the period from 2012 to June 2014, amounts to 19 million euros.

It is the opinion of the Board of Directors of NOS that these extraordinary contributions to CLSU of service providing by PTC (not desiganted through a tender procedure) violates the Directive of Universal Service. Moreover, considering the existing legal framework since NOS began its activity, the request of payment of the extraordinary contribution violates the principle of the protection of confidence, recognised on a legal and constitutional level in Portuguese domestic law. For these reasons, NOS will continue judicially challenge the liquidation of each extraordinary contributions, once the Board of Directors is convinced it will be successful in all challenges, both future and already undertaken;

b. Other tax proceedings: which the Board of Directors is convinced that there are strong arguments to obtain a favorable decision for NOS SA, but considers that they correspond to a contingent liability under the fair value allocation of assumed liabilities related to the merger operation;

v) The amount under the caption "Contingencies - other" refers to provisions for risks related to miscellaneous events/disputes of various kinds, the settlement of which may result in outflows of cash, and other likely liabilities related to several transactions from previous periods, and whose outflow of cash is probable, namely, costs charged to the current period or previous years, for which it is not possible to estimate reliably the time of occurrence of the expense.

During the semesters ended on 30 June 2014 and 2015, movements in provisions were as follows:

	31-12-2013 RESTATED	INCREASES	DECREASES	OTHER	30-06-2014 RESTATED
Litigation and other	16,530	1,644	(1,325)	24,227	41,076
Financial investments	13,912	-	(7,489)	-	6,423
Dismantling and removal of assets	14,509	341	-	(327)	14,523
Contingent liabilities	66,133	-	-	(23,206)	42,927
Contingencies - other	21,887	500	(154)	(160)	22,073
	132,972	**2,485**	**(8,968)**	**534**	**127,022**

	31-12-2014	INCREASES	DECREASES	OTHER	30-06-2015
Litigation and other	50,129	4,739	(2,021)	3,295	56,142
Financial investments	64	-	(63)	-	1
Dismantling and removal of assets	18,131	55	-	2,693	20,879
Contingent liabilities	34,673	-	-	-	34,673
Contingencies - other	24,224	491	(27)	(2,562)	22,126
	127,221	**5,285**	**(2,111)**	**3,426**	**133,821**

During the semester ended on 30 June 2014, the amount recorded in the item "Other" in the amount of 534 thousand euros correspond mainly to the utilization of provisions made for redundancy payments in the amount of 3,219 thousand euros paid to employees and reclassification of cost estimates for which it is not possible to reliably estimate the time of realisation of the expense in the amount of 1,567 thousand euros.

Additionally, during the semester ended on 30 June 2014, there were recorded provisions for litigations which risk assessment has been changed to likely, in the sequence of recent unfavorable decisions, which led to the reclassification (Column "Other") from "Contingent liabilities" to "Litigation and other" in the amount of 24 million euros.

During the semester ended on 30 June 2015, increases of provisions mainly refer to the update of the value of contingencies and respective interest claims. The decreases in provisions include the reduction of the fine, in the amount of 500 thousand euros, of the proceeding brought by CNPD, abovementioned.

The amount recorded in the item "Litigation and other" under the heading "Other" in the amount of 3.2 million euros corresponds mainly to a reclassification from deferred tax assets, since they were reducing the deferred tax assets of tax losses (Note 11), in the amount of 4.1 millions euros.

The amount recorded in the item "Dismantling and removal of assets" under the heading "Other" in the amount of 2.7 million euros was recorded against "Tangible Assets", and relates to the update of the present value of those costs at the average rate of the cost of debt of the NOS group.

The net movements for the semesters ended on 30 June 2014 and 2015 reflected in the income statement under "Provisions and adjustments" were as follows:

	6M 14	6M 15
Provisions and adjustments (Note 24)	(687)	(383)
Financial investments (Note 9)	(7,489)	(63)
Other losses / (gains) non-recurrent	500	2,736
Interests - dismantling	341	55
Other interests	-	906
Income tax (Note 11)	852	(90)
Other	-	13
INCREASES AND DECREASES IN PROVISIONS	**(6,483)**	**3,174**

18. Accounts payable -trade

At 31 December 2014 and 30 June 2015, this item was composed as follows:

	31-12-2014	30-06-2015
Suppliers current account	323,969	330,173
Invoices in reception and conference	16,753	12,023
	340,721	**342,196**

19. Operating revenues

Consolidated operating revenues for the quarters and semesters ended on 30 June 2014 and 2015 are distributed as follows:

	2nd QUARTER 14	6M 14	2nd QUARTER 15	6M 15
SERVICES RENDERED				
Telco i)	310,831	620,233	319,038	630,786
Audiovisuals and cinema exhibition ii)	14,024	27,763	18,426	35,902
	324,855	**647,996**	**337,464**	**666,688**
SALES:				
Telco iii)	8,838	16,520	10,730	18,700
Audiovisuals and cinema exhibition iv)	4,316	8,065	4,187	8,347
	13,154	**24,585**	**14,917**	**27,047**
OTHER OPERATING REVENUES:				
Telco	6,463	9,003	3,216	5,756
Audiovisuals and cinema exhibition	503	735	275	456
	6,966	**9,738**	**3,491**	**6,212**
	344,975	**682,319**	**355,872**	**699,947**

These operating revenues are shown net of inter-company eliminations.

i) This item mainly includes revenue relating to: (a) basic channel subscription packages that can be sold in a bundle with fixed broadband/fixed voice services; (b) premium channel subscription packages and S-VOD; (c) terminal equipment rental; (d) consumption of content (VOD); (e) traffic and mobile and fixed voice termination; (f) service activation; (g) mobile broadband access and (h) other additional services (ex: firewall, antivirus) and services rendered related to datacenter management and consulting services in IT.

ii) This item mainly includes:

a. Box office revenue and publicity at the cinemas of NOS Cinemas;
b. Revenue relating to film distribution to other cinema exhibitors in Portugal and the production and sale of audiovisual content.

iii) Revenue relating to the sale of terminal equipment, telephones and mobile phones.

iv) This item mainly includes sales of bar products by NOS Cinemas and DVD sales.

20. Wage and salaries

In the quarters and semesters ended on 30 June 2014 and 2015, this item was composed as follows:

	2nd QUARTER 14	6M 14	2nd QUARTER 15	6M 15
Remuneration	13,971	30,219	14,927	31,727
Social taxes	3,983	8,096	4,161	8,343
Social benefits	450	888	304	618
Other	316	572	909	1,214
	18,720	**39,775**	**20,301**	**41,902**

In the semesters ended on 30 June 2014 and 2015, the average number of employees of the companies included in the consolidation was 2,360 and 2,491, respectively. At semester ended on 30 June 2015, the number of employees of the companies included in the consolidation was 2,532 employees.

The costs of compensations paid to employees, since they are non-recurring costs, are recorded in the item "restructuring costs". Additionally, during the quarter ended on 31 March 2015 2.3 million euros related to costs of bonuses paid to employees (Executive Commission not included) were recorded in the item "restructuring costs", since they are non-recurring costs. These bonuses recognise the excellent performance of all employees in the merger of NOS.

21. Direct costs

In the quarters and semesters ended on 30 June 2014 and 2015, this item was composed as follows:

	2nd QUARTER 14	6M 14	2nd QUARTER 15	6M 15
Exhibition costs	39,461	76,838	41,113	81,276
Traffic costs	44,299	87,821	52,542	97,776
Capacity costs	11,832	23,875	12,826	24,476
Shared advertising revenues	3,687	6,600	3,219	6,368
Other	1,203	2,071	1,003	2,048
	100,482	**197,205**	**110,703**	**211,944**

22. Cost of products sold

In the quarters and semesters on 30 June 2014 and 2015, this item was composed as follows:

	2nd QUARTER 14	6M 14	2nd QUARTER 15	6M 15
Costs of products sold	10,424	20,065	10,788	20,935
Inventories impairment	463	2,065	624	285
	10,887	**22,130**	**11,412**	**21,220**

23. Support services and supplies and external services

In the quarters and semesters ended on 30 June 2014 and 2015, this item was composed as follows:

	2nd QUARTER 14	6M 14	2nd QUARTER 15	6M 15
SUPPORT SERVICES:				
Call centers and customer support	8,199	16,333	8,253	16,996
Information systems	3,068	7,647	4,243	8,706
Administrative support and other	10,253	20,137	10,215	21,920
	21,520	**44,117**	**22,710**	**47,622**
SUPPLIES AND EXTERNAL SERVICES:				
Maintenance and repair	11,342	23,108	10,916	21,521
Rentals	10,614	20,969	10,302	20,725
Commissions	4,992	10,358	2,702	7,554
Professional services	4,329	8,819	3,768	6,944
Communications	2,036	3,649	2,083	4,073
Installation and removal of terminal equipment	734	3,211	1,072	3,151
Other supplies and external services	12,190	23,179	12,394	25,066
	46,237	**93,294**	**43,237**	**89,034**

24. Provisions and adjustments

In the quarters and semesters ended on 30 June 2014 and 2015, this item was composed as follows:

	2nd QUARTER 14	6M 14	2nd QUARTER 15	6M 15
Provisions (Note 17)	225	(687)	593	(383)
Impairment of account receivables - trade (Note 12)	2,702	(267)	(3,672)	(3,462)
Impairment of account receivables - other	-	283	432	459
Debts recovery	(1)	(2)	-	(1)
	2,926	**(673)**	**(2,647)**	**(3,387)**

25. Losses / (gains) of affiliated companies

In the quarters and semesters ended on 30 June 2014 and 2015, this item was composed as follows:

	2nd QUARTER 14	6M 14	2nd QUARTER 15	6M 15
EQUITY METHOD (NOTE 9)				
Sport TV	1,293	745	291	(62)
Dreamia	(296)	(632)	(78)	(529)
Finstar	(3,540)	(7,449)	(572)	(7,158)
Mstar	(147)	(250)	176	(132)
Upstar	(3)	(7)	(375)	(12)
Other	(13)	(16)	18	10
	(2,706)	**(7,609)**	**(540)**	**(7,883)**

26. Depreciation, amortisation and impairment losses

In the quarters and semesters ended on 30 June 2014 and 2015, this item was composed as follows:

	2nd QUARTER 14	6M 14	2nd QUARTER 15	6M 15
TANGIBLE ASSETS				
Buildings and other constructions	2,958	5,797	2,978	5,579
Basic equipment	43,579	88,753	46,555	88,522
Transportation equipment	200	423	287	590
Tools and dies	2	5	3	5
Administrative equipment	4,257	9,583	5,201	12,483
Other tangible assets	528	1,070	128	442
	51,524	**105,631**	**55,152**	**107,621**
INTANGIBLE ASSETS				
Industrial property and other rights	34,230	63,566	35,529	70,742
Other intangible assets	478	906	-	-
	34,708	**64,472**	**35,529**	**70,742**
INVESTIMENT PROPERTY				
Investment property	-	-	9	21
	-	**-**	**9**	**21**
	86,232	**170,103**	**90,690**	**178,384**

27. Financing costs and net other financial expenses / (income)

In the quarters and semesters ended on 30 June 2014 and 2015, financing costs and other net financial expenses / (income) were composed as follows:

	2nd QUARTER 14	6M 14	2nd QUARTER 15	6M 15
FINANCING COSTS:				
INTEREST EXPENSE:				
Borrowings	8,104	16,702	6,539	13,222
Derivatives	975	1,827	180	437
Finance leases	1,530	3,047	1,308	2,965
Other	416	645	1,054	1,749
	11,025	**22,221**	**9,081**	**18,373**
INTEREST EARNED	(2,110)	(3,633)	(1,563)	(3,373)
	8,915	**18,588**	**7,518**	**15,000**
NET OTHER FINANCIAL EXPENSES / (INCOME)				
Comissions and guarantees	3,817	7,590	2,120	4,684
Other	1,127	2,237	760	1,782
	4,944	**9,827**	**2,880**	**6,466**

28. Non-controlling interests

The movements in non-controlling interests in the semesters ended on 30 June 2014 and 2015 and the profits attributable to non-controlling interests in the period were as follows:

	31-12-2013	ATTRIBUTABLE PROFITS	OTHER	30-06-2014
NOS Madeira	6,722	403	(175)	6,950
NOS Açores	2,849	6	5	2,860
Lusomundo SII	6	-	-	6
Empracine	1	-	-	1
Lusomundo Imobiliária 2, SA	37	-	-	37
	9,615	**410**	**(170)**	**9,855**

	31-12-2014	ATTRIBUTABLE PROFITS	OTHER	30-06-2015
NOS Madeira	6,978	(54)	(176)	6,748
NOS Açores	2,796	(89)	(2)	2,705
Lusomundo SII	6	-	-	6
Empracine	1	-	-	1
Lusomundo Imobiliária 2, SA	37	-	(2)	35
	9,818	**(143)**	**(180)**	**9,495**

29. Net earnings per share

Earnings per share for the quarters and semesters ended on 30 June 2014 and 2015 were calculated as follow:

	2nd QUARTER 14	6M 14	2nd QUARTER 15	6M 15
Net income attributable to shareholders	18,413	43,676	24,066	47,309
Number of ordinary shares outstanding during the period (weighted average)	514,431,496	514,382,606	514,576,250	513,947,963
Basic earnings per share - euros	0.04	0.08	0.05	0.09
Diluted earnings per share - euros	0.04	0.08	0.05	0.09

In the above periods there were no diluting effects on net earnings per share, so the diluted earnings per share are equal to the basic earnings per share.

30. Guarantees and financial undertakings

30.1. Guarantees

At 31 December 2014 and 30 June 2015, the Group had furnished sureties, guarantees and comfort letters in favour of third parties corresponding to the following situations:

	31-12-2014	30-06-2015
Financial instituitions i)	210,425	210,388
Tax authorities ii)	19,288	15,766
Other iii)	15,581	12,683
	245,294	**238,837**

i) At 31 December 2014 and 30 June 2015, this amount relates to guarantees issued by NOS in connection with the loans from EIB (Note 16).

ii) At 31 December 2014 and 30 June 2015, this amount relates to guarantees demanded by the tax authorities in connection with tax proceedings contested by the Company and its subsidiaries (Note 32).

iii) At 31 December 2014 and 30 June 2015, this amount mainly relates to guarantees provided in connection with Municipal Wayleave Tax proceedings and guarantees provided to cinema owners, and bank guarantees given to providers of satellite capacity renting services (Note 32).

At 30 June 2015, in connection with the finance obtained by Upstar from BES, totaling 20 million euros, NOS signed a promissory note, proportional to the participation held, of 30% of the loan.

Additionally, during 2014, in connection with a contract between Upstar and a supplier of TV contents, NOS signed a personal guarantee, in the form of a partial endorsement, proportional to NOS's shareholder position of 30%, as a counter guarantee of a guarantee by Novo Banco in the amount of 30 million dollars, to pledge the fulfillment of the contract's obligations.

During 2015 and following the settlement note to CLSU 2007-2009 (Note 17), NOS constituted guarantees in favor of the Universal Service Compensation Fund in the amount of 23.6 million euros, so as to prevent a tax enforcement process in order to enforce recovery of the liquidated value (Note 17).

In addition to the guarantees required by the Tax Authorities sureties were set up for the current fiscal processes. NOS was a surety for NOS SA for the amount of 14.1 million euros.

30.2. Operating leases

The rentals due on operating leases have the following maturities:

	31-12-2014				30-06-2015			
	AUTOMATIC RENEWAL	UNTIL 1 YEAR	AND 5 YEARS	OVER 5 YEARS	AUTOMATIC RENEWAL	UNTIL 1 YEAR	AND 5 YEARS	OVER 5 YEARS
Stores, movie theatre and other buildings	1,943	36,367	84,462	40,560	1,841	34,156	77,371	31,256
Telecommunication towers and rooftops	7,720	5,664	15,939	13,235	8,238	6,015	19,609	5,138
Equipment	-	300	147	-	-	333	346	-
Vehicles	-	1,923	3,252	-	-	2,530	4,345	-
	9,664	**44,254**	**103,799**	**53,796**	**10,079**	**43,034**	**101,671**	**36,394**

30.3. Other undertakings

Covenants

The EIB loan totaling 100 million euros with a maturity of 6 years is intended exclusively to finance the next generation network investment project. This amount may not in any circumstances exceed 50% of the total cost of the project.

The EIB loan totaling 110 million euros with a maturity of 8 years is intended exclusively to finance the mobile broadband's network investment project. This amount may not in any circumstances exceed 50% of the total cost of the project.

Of the loans obtained (excluding financial leases), in addition to being subject to the Group complying with its operating, legal and fiscal obligations,100% are subject to cross-default clauses, Pari Passu clauses, Negative Pledge clauses and 79% to Ownership clauses.

In addition, approximately 38% of the total loans obtained require that the consolidated net financial debt does not exceed 3 times consolidated EBITDA, 4% of the total loans obtained require that the consolidated net financial debt does not exceed 3.5 times consolidated EBITDA and 6% of the total loans obtained require that the consolidated net financial debt does not exceed 4 times consolidated EBITDA.

Commitments under the merger between ZON and Optimus SGPS

Following the final decision of the Competition Authority not to oppose the merger between ZON and Optimus SGPS were made the following commitments:

a) To ensure that NOS SA will be open to negotiate, for a determined period of time, with a requested third party, a contract which allows wholesale access to its fiber network;

b) To ensure that NOS SA will present to and negotiate with Vodafone, for a determined period of time, a contract that gives the option of buying its fiber network.

31. Related parties

31.1. Summary list of related parties

Detailed summary of related parties as at 30 June 2015:

RELATED PARTIES	
3shoppings – Holding,SGPS, S.A.	Capwatt Hectare - Heat Power, ACE
8ª Avenida Centro Comercial, SA	Capwatt II - Heat Power, S.A.
Accive Insurance Cons. e Franchising,Lda	Capwatt III - Heat Power, S.A.
Accive Insurance-Corretor de Seguros, SA	Capwatt Maia - Heat Power, S.A.
ADD Avaliações Engenharia de Avaliações e Perícias Ltda	Capwatt Martim Longo - Solar Power, S.A.
Adlands B.V.	Capwatt Vale do Caima - Heat Power, S.A.
Aegean Park, S.A.	Capwatt Vale do Tejo - Heat Power, S.A.
Agepan Eiweiler Management GmbH	CAPWATT, SGPS, S.A.
Agloma Investimentos, Sgps, S.A.	Carvemagere-Manut.e Energias Renov., Lda
ALBCC Albufeirashopping C.Comercial SA	Casa Agrícola de Ambrães, S.A.
ALEXA Administration GmbH	Casa da Ribeira-Sociedade Imobiliária,SA
ALEXA Asset GmbH & Co KG	Cascaishopping – Centro Comercial, S.A.
ALEXA Holding GmbH	Cascaishopping Holding I, SGPS, S.A.
ALEXA Shopping Centre GmbH	CCCB Caldas da Rainha - Centro Comercial,SA
Algarveshopping – Centro Comercial, S.A.	Centro Colombo – Centro Comercial, S.A.
Alpêssego – Soc. Agrícola, S.A	Centro Residencial da Maia,Urban., S.A.
Andar – Sociedade Imobiliária, S.A.	Centro Vasco da Gama – Centro Comercial, S.A.
Apor - Agência para a Modernização do Porto	Chão Verde – Soc.Gestora Imobiliária, S.A.
Aqualuz – Turismo e Lazer, Lda	Cinclus Imobiliária, S.A.
Arat inmebles, S.A.	Cinveste, SGPS, SA
ARP Alverca Retail Park,SA	Citic Capital Sierra Limited
Arrábidashopping – Centro Comercial, S.A.	Citic Capital Sierra Prop. Man. Limited
Aserraderos de Cuellar, S.A.	Citorres – Sociedade Imobiliária, S.A.
Atelgen-Produção Energia, ACE	Coimbrashopping – Centro Comercial, S.A.
Atlantic Ferries – Tráf.Loc,Flu.e Marít, S.A.	Colombo Towers Holding, BV
Avenida M – 40 B.V.	Companhia de Pesca e Comércio de Angola (Cosal), SARL
Azulino Imobiliária, S.A.	Companhia Térmica do Serrado, ACE
BA Business Angels, SGPS, SA	Companhia Térmica Tagol, Lda.
BA Capital, SGPS, SA	Contacto Concessões, SGPS, S.A.
Banco BPI, SA	Contibomba – Comérc.Distr.Combustiveis, S.A.
BB Food Service, S.A.	Contimobe – Imobil.Castelo Paiva, S.A.
Beeskow Holzwerkstoffe	Continente Hipermercados, S.A.
Beralands BV	Contry Club da Maia-Imobiliaria, S.A.
Bertimóvel – Sociedade Imobiliária, S.A.	Cooper Gay Swett & Crawford Lt
Big Picture 2 Films, SA	Craiova Mall BV
Blackrock, Inc.	CTE-Central Termoeléct. do Estuário, Lda
Bloco Q – Sociedade Imobiliária, S.A.	Cumulativa – Sociedade Imobiliária, S.A.
Boavista Shopping Centre BV	Darbo S.A.S
BOM MOMENTO – Comércio Retalhista, SA	Digitmarket – Sistemas de Informação, S.A.
Caixanet – Telecomunicações e Telemática, SA	Discovery Sports, SA
Canal 20 TV	Distodo - Distribuição e Logística, Lda.
Canasta – Empreendimentos Imobiliários, S.A.	Dortmund Tower GmbH
Cape Technologies Limited	Dos Mares – Shopping Centre B.V.
CAPWATT - Brainpower, S.A.	Dos Mares – Shopping Centre, S.A.
Capwatt ACE, S.A.	Dreamia - Serviços de Televisão, S.A.
Capwatt Colombo - Heat Power, S.A.	Dreamia Holding B.V.
Capwatt Engenho Novo - Heat Power, S.A.	East Star Ltd

RELATED PARTIES	
Ecociclo – Energia e Ambiente, S.A.	Imobeauty, SA
EFACEC Electric Mobility, S.A.	Imoclub – Serviços Imobilários, S.A.
EFACEC ENERGIA - Máquinas e Equipamentos Eléctricos S.A.	Imoconti – Soc.Imobiliária, S.A.
EFACEC Engenharia e Sistemas, S.A.	Imodivor – Sociedade Imobiliária, S.A.
EFACEC Marketing Internacional, S.A.	Imoestrutura – Soc.Imobiliária, S.A.
EFACEC Power Solutions, SGPS, S.A.	Imohotel – Emp.Turist.Imobiliários, S.A.
EFACEC Serviços Corporativos, S.A.	Imomuro – Sociedade Imobiliária, S.A.
Efanor Investimentos, SGPS, S.A.	Imopenínsula – Sociedade Imobiliária, S.A.
Efanor Serviços de Apoio à Gestão, S.A.	Imoplamac Gestão de Imóveis, S.A.
Emfísico Boavista	Imoponte – Soc.Imobiliaria, S.A.
Empreend.Imob.Quinta da Azenha, S.A.	Imoresort – Sociedade Imobiliária, S.A.
Enerlousado-Recursos Energéticos, Lda.	Imoresultado – Soc.Imobiliaria, S.A.
Equador & Mendes, Lda	Imosedas – Imobiliária e Seviços, S.A.
Estação Viana – Centro Comercial, S.A.	Imosistema – Sociedade Imobiliária, S.A.
Euroresinas – Indústrias Quimicas, S.A.	Impaper Europe GmbH & Co. KG
Farmácia Selecção, S.A.	Implantação – Imobiliária, S.A.
Fashion Division Canárias, SL	Infofield – Informática, S.A.
Fashion Division, S.A.	Infratroia, EM
Feneralt-Produção de Enercia, ACE	Inparvi SGPS, S.A.
Filmes Mundáfrica, SARL	Interlog – SGPS, S.A.
FINSTAR - Sociedade de Investimentos e Participações, SA	Ioannina Development of Shopping Centres, SA
Fozimo – Sociedade Imobiliária, S.A.	Isoroy SAS
Freccia Rossa – Shopping Centre S.r.l.	ITRUST - Cyber Security and Intellig.,SA
Fundação José Berardo	Kento Holding Limited
Fundo de Invest. Imobiliário Imosede	Laminate Park GmbH Co. KG
Fundo Esp.Inv.Imo.Fec. WTC	Land Retail B.V.
Fundo I.I. Parque Dom Pedro Shop.Center	Larim Corretora de Resseguros Ltda
Fundo Invest. Imobiliário Imosonae Dois	Larissa Develop. Of Shopping Centers, S.A.
Fundo Invest.Imob.Shopp. Parque D.Pedro	Lazam – MDS Corretora e Administradora de Seguros, S.A.
Fundo Investimento para Cinema e Audiovisual	LCC LeiriaShopping Centro Comercial SA
Gaiashopping I – Centro Comercial, S.A.	Le Terrazze - Shopping Centre 1 Srl
Gaiashopping II – Centro Comercial, S.A.	Libra Serviços, Lda.
Gesgráfica - Projectos Gráficos, Lda	Lidergraf – Artes Gráficas, Lda.
GHP Gmbh	Lookwise, S.L.
Gli Orsi Shopping Centre 1 Srl	Loop5 Shopping Centre GmbH
Glunz AG	Loureshopping – Centro Comercial, S.A.
Glunz Service GmbH	Lusitânia - Companhia de Seguros, SA
Glunz UK Holdings Ltd	Lusitânia Vida - Companhia de Seguros, SA
Glunz Uka Gmbh	Luz del Tajo – Centro Comercial S.A.
GMET, ACE	Luz del Tajo B.V.
Golf Time – Golfe e Invest. Turísticos, S.A.	Madeirashopping – Centro Comercial, S.A.
Grupo Visabeira, SGPS, SA	Maiashopping – Centro Comercial, S.A.
Guimarãeshopping – Centro Comercial, S.A.	Maiequipa – Gestão Florestal, S.A.
Harvey Dos Iberica, S.L.	Marcas MC, ZRT
Herco Consultoria de Risco, S.A.	Marina de Tróia S.A.
Herco Consultoria de Riscos e Corretora de Seguros Ltda	Marmagno – Expl.Hoteleira Imob., S.A.
HighDome PCC Limited	Martimope-Empreendimentos Turísticos, SA
HighDome PCC Limited (Cell Europe)	Marvero – Expl.Hoteleira Imob., S.A.
Iberian Assets, S.A.	MDS Affinity - Sociedade de Mediação, Lda
Igimo – Sociedade Imobiliária, S.A.	MDS AUTO - Mediação de Seguros, SA
Iginha – Sociedade Imobiliária, S.A.	MDS Corretor de Seguros, S.A.
Imoareia – Invest. Turísticos, SGPS, S.A.	Mds Knowledge Centre, Unipessoal, Lda

RELATED PARTIES	
MDS Malta Holding Limited	Plaza Mayor Shopping, SA
MDS RE - Mediador de resseguros	Poliface North America
MDS, SGPS, SA	Ponto de Chegada - Soc. Imobiliária, SA
Megantic BV	PORTCC - Portimãoshopping Centro Comercial, SA
Metalgest - Sociedade de Gestão, SGPS, SA	Porturbe – Edificios e Urbanizações, S.A.
Microcom Doi Srl	Praedium – Serviços, S.A.
MJB-Design, Lda	Praedium II – Imobiliária, S.A.
MJLF – Empreendimentos Imobiliários, S.A.	Praedium SGPS, S.A.
Modalfa – Comércio e Serviços, S.A.	Praesidium Services Limited
MODALLOOP – Vestuário e Calçado, S.A.	Predicomercial – Promoção Imobiliária, S.A.
Modelo – Dist.de Mat. de Construção, S.A.	Predilugar - Sociedade Imobiliária, SA
Modelo Continente Hipermercados, S.A.	Prédios Privados Imobiliária, S.A.
Modelo Continente Intenational Trade, SA	Predisedas – Predial das Sedas, S.A.
Modelo Hiper Imobiliária, S.A.	Proj. Sierra Germany 4 (four) – Sh.C.GmbH
Modelo.com – Vendas p/Correspond., S.A.	Proj.Sierra Germany 2 (two) – Sh.C.GmbH
Movelpartes – Comp.para Ind.Mobiliária, S.A.	Project SC 1 BV
Movimento Viagens – Viag. e Turismo U.Lda	Project Sierra 10 BV
Mstar, SA	Project Sierra 11 BV
Munster Arkaden, BV	Project Sierra 12 BV
Norges Bank	Project Sierra 2 BV
Norscut – Concessionária de Scut Interior Norte, S.A.	Project Sierra 8 BV
Norteshopping – Centro Comercial, S.A.	Project Sierra Four Srl
Norteshopping Retail and Leisure Centre, BV	Project Sierra Four, SA
Nova Equador Internacional,Ag.Viag.T, Ld	Project Sierra Spain 1 B.V.
Nova Equador P.C.O. e Eventos	Project Sierra Spain 2 – Centro Comer. S.A.
Novodecor (PTY), LTD	Project Sierra Spain 3 B.V.
Ongoing Strategy Investments, SGPS, SA	Project Sierra Two Srl
Operscut – Operação e Manutenção de Auto-estradas, S.A.	Promessa Sociedade Imobiliária, S.A.
OSB Deustchland Gmbh	Prosa – Produtos e serviços agrícolas, S.A.
PantheonPlaza BV	Público – Comunicação Social, S.A.
Paracentro – Gest.de Galerias Com., S.A.	Racionaliz. y Manufact.Florestales, S.A.
Pareuro, BV	RASO - Viagens e Turismo, S.A.
Park Avenue Develop. of Shop. Centers S.A.	RASO II-Viagens e Turismo,Unipessoal Lda
Parklake Shopping, SA	RASO, SGPS, S.A.
Parque Atlântico Shopping – C.C., S.A.	Rio Sul – Centro Comercial, S.A.
Parque D. Pedro 1 B.V.	River Plaza Mall, Srl
Parque de Famalicão – Empr. Imob., S.A.	River Plaza, BV
Pátio Boavista Shopping Ltda.	Ronfegen-Recursos Energéticos, Lda.
Pátio Campinas Shopping Ltda	RSI Corretora de Seguros Ltda
Pátio Goiânia Shopping Ltda	S.C. Microcom Doi Srl
Pátio Londrina Empreend. e Particip. Ltda	S21 Sec Barcelona, S.L.
Pátio São Bernardo Shopping Ltda	S21 Sec Brasil, Ltda
Pátio Sertório Shopping Ltda	S21 Sec Ciber Seguridad, S.A. de CV
Pátio Uberlândia Shopping Ltda	S21 Sec Fraud Risk Management, S.L.
PCJ - Público, Comunicação e Jornalismo, S.A.	S21 SEC Gestion, S.A.
Pharmaconcept – Actividades em Saúde, S.A.	S21 Sec Inc.
PHARMACONTINENTE – Saúde e Higiene, S.A.	S21 Sec Information Security Labs, S.L.
Plaza Éboli – Centro Comercial S.A.	S21 Sec Institute, S.L.
Plaza Mayor Parque de Ócio BV	S21 Sec México, S.A. de CV
Plaza Mayor Parque de Ocio, SA	S21 Sec, S.A. de CV
Plaza Mayor Shopping BV	Saphety – Transacciones Electronicas SAS

RELATED PARTIES	
Saphety Brasil Transações Eletrônicas Ltda.	Sierra Zenata Project BV
Saphety Level – Trusted Services, S.A.	SII – Soberana Invest. Imobiliários, S.A.
Saúde Atlântica – Gestão Hospitalar, S.A.	SIRS – Sociedade Independente de Radiodifusão Sonora, S.A.
SC – Consultadoria, S.A.	SISTAVAC, S.A.
SC – Eng. e promoção imobiliária,SGPS, S.A.	SISTAVAC, SGPS, S.A.
SC Aegean B.V.	SISTAVAC-Sistemas HVAC-R do Brasil, Ltda
SC Finance BV	Soc.Inic.Aproveit.Florest.-Energias,SA
SC For-Serv.Form.e Desenv.R.H.,Unip.,Lda	Sociedade de Construções do Chile, S.A.
SC Hospitality, SGPS , S.A.	Société de Tranchage Isoroy S.A.S.
SC, SGPS, SA	Socijofra – Sociedade Imobiliária, S.A.
SDSR - Sports Division SR, S.A.	Sociloures – Soc.Imobiliária, S.A.
Selifa – Empreendimentos Imobiliários, S.A.	Soflorin, BV
Sempre à Mão – Sociedade Imobiliária, S.A.	Soira – Soc.Imobiliária de Ramalde, S.A.
Sempre a Postos – Produtos Alimentares e Utilidades, Lda	Solinca - Health and Fitness, SA
Serra Shopping – Centro Comercial, S.A.	Solinca – Investimentos Turísticos, S.A.
Servicios de Int.Estratégica Global,S.L.	Solinfitness – Club Malaga, S.L.
Sesagest – Proj.Gestão Imobiliária, S.A.	Solingen Shopping Center GmbH
Sete e Meio – Invest. Consultadoria, S.A.	Soltroia – Imob.de Urb.Turismo de Tróia, S.A.
Sete e Meio Herdades – Inv. Agr. e Tur., S.A.	Somit Imobiliária, SA
SGC, SGPS, SA	Sonae Capital Brasil, Lda
Shopping Centre Colombo Holding BV	Sonae Capital,SGPS, S.A.
Shopping Centre Parque Principado B.V.	Sonae Center Serviços II, SA
SIAL Participações Ltda	Sonae com – Sistemas Informação, SGPS, S.A.
Sierra - OST Property Management	Sonae Financial Services, S.A.
Sierra Asia Limited	Sonae Ind., Prod. e Com.Deriv.Madeira, S.A.
Sierra Berlin Holding BV	Sonae Indústria – SGPS, S.A.
Sierra Brazil 1 BV	Sonae Industria (UK),Ltd
Sierra Central S.A.S	Sonae Industria de Revestimentos, S.A.
Sierra Cevital Shopping Center, Spa	Sonae Indústria Manag. Serv, SA
Sierra Corporate Services Holland, BV	Sonae Investimentos, SGPS, SA
Sierra Developments Holding B.V.	Sonae Investments BV
Sierra Developments, SGPS, S.A.	Sonae MC - Modelo Continente, SGPS, SA
Sierra European R.R.E. Assets Hold. B.V.	Sonae Novobord (PTY) Ltd
Sierra Germany GmbH	Sonae RE, S.A.
Sierra GP Limited	Sonae Retalho Espana – Servicios Gen., S.A.
Sierra Greece, SA	Sonae SGPS, S.A.
Sierra Investimentos Brasil Ltda	Sonae Sierra Brasil S.A.
Sierra Investments (Holland) 1 B.V.	Sonae Sierra Brazil, BV / SARL
Sierra Investments (Holland) 2 B.V.	Sonae Sierra, SGPS, S.A.
Sierra Investments Holding B.V.	Sonae Specialized Retail, SGPS, SA
Sierra Investments SGPS, S.A.	Sonae SR Malta Holding Limited
Sierra Italy, Srl	Sonae Tafibra Benelux, BV
Sierra Management, SGPS, S.A.	Sonae Turismo, SGPS, S.A.
Sierra Portugal, S.A.	Sonaecenter Serviços, S.A.
Sierra Project Nürnberg BV	Sonaecom - Serviços Partilhados, S.A.
Sierra Real Estate Greece BV	Sonaecom – Sistemas de Información España, S.L.
Sierra Romania Sh. Centers Services Srl	Sonaecom BV
Sierra Services Holland 2 BV	Sonaecom, SGPS, S.A.
Sierra Solingen Holding GmbH	Sonaecom-Cyber Security and Int.,SGPS,SA
Sierra Solingen Holding GmbH	Sonaegest – Soc.Gest.Fundos Investimentos
Sierra Spain ShoppinG Centers Services S.A.U.	Sonaerp - Retail Properties, SA
Sierra Turkey Gayrim.Yön.P.Dan.An.Sirket	SONAESR - Serviços e logistica, SA

RELATED PARTIES	
Sonaetelecom BV	Tróia Natura, S.A.
Sondis Imobiliária, S.A.	Troiaresort – Investimentos Turísticos, S.A.
Sontel BV	Troiaverde – Expl.Hoteleira Imob., S.A.
Sonvecap BV	Tulipamar – Expl.Hoteleira Imob., S.A.
Sopair, S.A.	Turismo da Samba (Tusal), SARL
Sotáqua – Soc. de Empreendimentos Turist	Unipress – Centro Gráfico, Lda
Soternix-Produção de Energia, ACE	Unishopping Consultoria Imob. Ltda.
Spanboard Products, Ltd	Unitel International Holdings, B.V.
SPF – Sierra Portugal Real Estate, Sarl	Unitel STP
Spinarq - Engenharia, Energia e Ambiente, SA	Unitel T+
Spinarq Moçambique, Lda	Upstar Comunicações SA
Spinveste – Gestão Imobiliária SGII, S.A.	Urbisedas – Imobiliária das Sedas, S.A.
Spinveste – Promoção Imobiliária, S.A.	Valor N, S.A.
Sport TV Portugal, S.A.	Vastgoed One – Sociedade Imobiliária, S.A.
Sport Zone Canárias, SL	Vastgoed Sun – Sociedade Imobiliária, S.A.
Sport Zone España-Com.Art.de Deporte,SA	Via Catarina – Centro Comercial, S.A.
Sport Zone spor malz.per.satis ith.ve ti	Viajens y Turismo de Geotur España, S.L.
Spred, SGPS, SA	Vistas do Freixo, SA
SSI Angola, S.A.	Vuelta Omega, S.L.
Stinnes Holz GmbH	WeDo Consulting – Sistemas de Informação, S.A.
Tableros Tradema, S.L.	WeDo do Brasil – Soluções Informáticas, Ltda
Tafiber,Tableros de Fibras Ibéricas, SL	WeDo Poland Sp. Z.o.o.
Tafibra South Africa (PTY) Ltd.	WeDo Technologies (UK) Limited
Tafibra Suisse, SA	WeDo Technologies Americas, Inc.
Tafisa – Tableros de Fibras, S.A.	WeDo Technologies Australia PTY Limited
Tafisa Canadá Societé en Commandite	WeDo Technologies BV
Tafisa Développement	WeDo Technologies BV – Sucursal Malaysia
Tafisa France, S.A.	WeDo Technologies Egypt LLC
Tafisa UK, Ltd	WeDo Technologies Mexico, S de R.L.
Taiber,Tableros Aglomerados Ibéricos, SL	Weiterstadt Shopping BV
Tecmasa Reciclados de Andalucia, SL	Worten – Equipamento para o Lar, S.A.
Tecnológica Telecomunicações LTDA.	Worten Canárias, SL
Teconologias del Medio Ambiente,SA	Worten España Distribución, SL
Telefónica, SA	ZAP Cinemas, S.A.
Terra Peregin - Participações SGPS, S.A.	ZAP Media, S.A.
Têxtil do Marco, S.A.	ZAP Publishing, S.A.
The Artist Porto Hot.&Bistrô-Act.Hot.,SA	Zenata Commercial Project S.A.
TLANTIC B.V.	ZIPPY - Comércio e Distribuição, SA
Tlantic Portugal – Sist. de Informação, S.A.	ZIPPY - Comercio y Distribución, S.A.
Tlantic Sistemas de Informação Ltdª	Zippy cocuk malz.dag.ith.ve tic.ltd.sti
Tool Gmbh	ZOPT, SGPS, S.A.
Torre Ocidente Imobiliária, S.A.	Zubiarte Inversiones Inmobiliarias, S.A.
Troia Market, S.A.	ZYEVOLUTION-Invest.Desenv.,SA.

31.2. Balances and transactions between related parties

Transactions and balances between NOS and companies of the NOS Group were eliminated in the consolidation process and are not subject to disclosure in this Note.

The balances at 31 December 2014 and 30 June 2015 and transactions in the semesters ended on 30 June 2014 and 2015 between NOS Group and its associated companies, joint ventures and other related parties are as follows:

Transactions at 30 June 2014

	REVENUES	WAGES AND SALARIES	DIRECT COSTS	MARKETING AND ADVERTISING	SUPPORT SERVICES	SUPPLIES AND EXTERNAL SERVICES	OTHER OPERATING LOSSES / (GAINS)	FINANCIAL INCOME AND (EXPENSES)
SHAREHOLDERS								
BPI	-	-	-	-	-	10	-	(2,295)
Sonaecom	15	2	-	-	10	61	19	-
JOINTLY CONTROLLED COMPANIES AND ASSOCIATED COMPANIES								
Big Picture 2 Films	6	-	1,760	-	-	47	-	-
Distodo	1	-	11	2	-	84	-	-
Dreamia Holding BV	168	-	-	-	-	-	-	114
Dreamia SA	2,034	-	3	25	-	(0)	-	-
Finstar	331	-	-	-	-	-	-	-
Mstar	5	-	-	-	-	-	-	-
Sport TV	89	-	23,960	14	-	4	-	-
Upstar	3,933	-	(229)	-	-	-	-	119
ZAP Media	114	-	-	-	-	-	-	-
OTHER RELATED PARTIES								
Continente Hipermercados	144	-	-	-	-	26	-	-
Digitmarket	20	(0)	11	-	368	194	-	-
NOS Sistemas (a)	690	(5)	109	-	1,144	292	-	-
Maxmat	102	-	-	-	-	-	-	-
MDS - Corretor de Seguros	104	-	-	-	-	60	-	-
Modalfa	113	-	-	-	-	-	-	-
Modelo Continente Hipermercados	1,971	-	(354)	87	2	12	-	-
Público	56	38	17	-	(5)	(6)	-	-
Raso - Viagens e Turismo	63	43	-	281	8	674	-	-
Saphety Level	49	(0)	-	-	292	1	-	-
Sierra Portugal	660	-	-	120	11	327	-	-
Sistavac	102	-	-	-	-	47	-	-
Sonae Indústria PCDM	180	-	-	-	-	-	-	-
Sonaecenter II	517	211	-	-	33	0	-	-
Spinveste - Promoção Imobiliária	-	-	-	-	-	134	-	-
Sport Zone	187	-	-	-	-	-	-	-
We Do Consulting	209	(0)	-	-	2,331	5	-	-
Worten	2,027	-	0	747	-	591	-	-
Other related parties	780	53	(6)	31	4	111	-	-
	14,670	**341**	**25,283**	**1,307**	**4,199**	**2,674**	**19**	**(2,062)**

(a)Formerly named Mainroad

Additionally, during the first semester 2014, NOS received, reimbursed and paid the whole of the 950,000 own shares loaned by Sonaecom, SGPS, SA (Note 15.3).

Balances at 31 December 2014

	ACCOUNTS RECEIVABLES	ACCOUNTS PAYABLE	ACCRUED EXPENSES	DEFERRED INCOME	PREPAID EXPENSES	BORROWINGS
SHAREHOLDERS						
Sonaecom	643	23	120	-	-	-
ZOPT	6	-	-	-	-	-
JOINTLY CONTROLLED COMPANIES AND ASSOCIATED COMPANIES						
Big Picture 2 Films	2	552	583	-	-	-
Dreamia Holding BV	3,107	-	-	-	-	-
Dreamia SA	3,754	782	259	1	-	-
Finstar	9,387	-	-	-	-	-
Mstar	1	-	-	-	-	-
Sport TV	793	23,440	(638)	-	-	-
Upstar	5,025	-	-	6	-	-
ZAP Media	1,321	-	-	-	-	-
OTHER RELATED PARTIES						
Cascaishopping - Centro Comercial	8	49	-	-	65	-
Digitmarket	96	545	(3)	-	104	-
ITRUST - Cyber Security and Intellig.	42	76	1	-	14	-
MDS - Corretor de Seguros	63	1	-	-	229	-
Modelo Continente Hipermercados	1,415	849	69	-	3	-
Modelo.com-Vendas por Correspondência	52	58	(16)	-	-	-
Público	80	17	(33)	-	1	-
Raso - Viagens e Turismo	109	490	51	-	81	-
Saphety Level	63	326	(6)	-	59	-
SC Consultadoria	131	3	-	1	-	-
Sierra Portugal	766	538	(24)	4	1,505	-
Sistavac	87	38	-	(4)	-	-
Sonae Indústria PCDM	317	-	-	-	-	-
Sonaecenter II	518	244	(192)	-	-	-
SDSR - Sports Division SR	111	91	(24)	-	-	-
We Do Consulting	249	186	(6)	-	43	-
Worten	5,349	100	944	-	-	-
Other related parties	648	146	(16)	15	55	4
	34,140	**28,553**	**1,071**	**23**	**2,158**	**4**

Transactions at 30 June 2015

	REVENUES	WAGES AND SALARIES	DIRECT COSTS	MARKETING AND ADVERTISING	SUPPORT SERVICES	SUPPLIES AND EXTERNAL SERVICES	OTHER OPERATING LOSSES / (GAINS)	FINANCIAL INCOME AND (EXPENSES)
SHAREHOLDERS								
Banco BPI	880	-	-	-	-	-	-	(606)
Sonaecom	9	3	-	-	(6)	-	(0)	-
JOINTLY CONTROLLED COMPANIES AND ASSOCIATED COMPANIES								
Big Picture 2 Films	49	-	1,347	-	-	28	-	-
Distodo	-	-	-	-	-	1	-	-
Dreamia Holding BV	168	-	-	-	-	-	-	129
Dreamia SA	1,329	(0)	(496)	2	-	(6)	-	-
Finstar	669	-	-	-	-	-	-	-
Mstar	6	-	-	-	-	-	-	-
Sport TV	100	-	23,040	-	-	3	-	-
Upstar	5,630	-	(389)	-	-	(12)	382	(68)
ZAP Media	233	-	-	-	-	-	-	-
OTHER RELATED PARTIES								
Cascaishopping	8	-	-	4	-	324	-	-
Continente Hipermercados	145	-	-	-	-	31	-	-
Digitmarket	71	(0)	20	-	123	127	-	-
Maxmat	102	-	-	-	-	-	-	-
MDS - Corretor de Seguros	252	-	-	-	-	1	-	-
Modalfa	116	-	-	-	-	-	-	-
Modelo Continente Hipermercados	2,383	-	17	164	-	(43)	-	-
Público	94	-	7	17	(0)	0	-	-
Raso - Viagens e Turismo	192	48	-	175	17	1,173	-	-
Saphety Level	54	-	-	-	397	1	-	-
SC Consultadoria	512	-	-	-	-	-	-	-
Sierra Portugal	1,929	-	-	177	3	2,444	-	-
Sistavac	93	-	-	-	-	52	-	-
Sonae Indústria PCDM	476	-	-	-	-	-	-	-
Sonaecenter II	872	102	-	-	21	-	-	-
Sonaecom - Serviços Partilhados	167	-	0	-	12	4	-	-
Spinveste - Promoção Imobiliária	-	-	-	-	-	144	-	-
Sport Zone	207	-	-	-	-	-	-	-
Unitel	996	-	694	-	-	-	-	-
We Do Consulting	261	-	-	-	1,994	(4)	-	-
Worten	1,370	-	-	237	-	419	0	0
Other related parties	879	(0)	0	13	105	172	-	0
	20,252	**151**	**24,239**	**789**	**2,666**	**4,858**	**382**	**(544)**

Balances at 30 June 2015

	ACCOUNTS RECEIVABLES	ACCOUNTS PAYABLE	ACCRUED INCOME	ACCRUED EXPENSES	DEFERRED INCOME	PREPAID EXPENSES	BORROWINGS
SHAREHOLDERS							
Banco BPI	671	-	-	-	-	-	
Sonaecom	117	(4)	-	-	-	-	
JOINTLY CONTROLLED COMPANIES AND ASSOCIATED COMPANIES							
Big Picture 2 Films	6	350	42	-	-	-	
Distodo	-	2	-	-	-		
Dreamia Holding BV	3,404	-	-	-	-	-	
Dreamia SA	1,543	666	248	0	-	-	
Finstar	10,570	-	-	-	-	-	
Mstar	1	-	-	-	-	-	
Sport TV	2,077	26,276	165	-	1,626	-	
Upstar	11,439	-	-	1	-	-	
ZAP Media	1,538	-	-	-	-	-	
OTHER RELATED PARTIES							
Digitmarket	27	1,725	(1)	-	185	-	
ITRUST - Cyber Security and Intellig.	34	160	-	-	-	-	
MDS - Corretor de Seguros	-	-	-	-	-	-	
Modelo Continente Hipermercados	1,114	124	(63)	-	4	-	
Público	-	-	-	-	-	-	
Raso - Viagens e Turismo	171	778	94	-	16	-	
Saphety Level	25	256	-	-	21	-	
SC Consultadoria	154	-	-	12	-	-	
Sierra Portugal	766	259	(192)	39	403	-	
Sistavac	-	-	-	-	-	-	
Sonae Indústria PCDM	224	-	-	0	-	-	
Sonaecenter II	318	65	-	14	-	-	
Sonaecom - Serviços Partilhados	-	-	-	-	-	-	
Sonaecom-Sist. Información España	-	-	-	-	-	-	
Unitel	1,108	724	559	-	-	-	
We Do Consulting	235	1,543	-	-	108	-	
Worten	1,690	53	995	-	-	-	
Other related parties	945	164	47	18	107	-	
	38,177	**33,141**	**1,893**	**83**	**2,469**	**-**	

The Company regularly performs transactions and signs contracts with several parties within the NOS Group. Such transactions were performed on normal market terms for similar transactions, as part of the contracting companies' current activity.

The Company also regularly performs transactions and enters into financial contracts with various credit institutions which hold qualifying shareholdings in the Company. However, these are performed on normal market terms for similar transactions, as part of the contracting companies' current activity.

Due to the large number of low value related parties balances and transactions, it was grouped in the heading "Other related parties" the balances and transactions with entities whose amounts are less than 100 thousand euros.

32. Legal actions and contingent assets and liabilities

32.1. Legal actions with regulators

- On 8 July 2009, NOS SA was notified by the Competition Authority (AdC) in connection with infringement proceeding relating to the triple-play offer, requesting NOS SA to comment on the content of the notification, which it did in good time. The case is currently at the fact-finding stage in AdC and various information has been requested, to which NOS has responded. If it is concluded that an infringement has occurred, the AdC may levy a fine not exceeding 10% of the company's turnover in last year of infringement. In July 2015, NOS was notified of decision to dismiss the case by Competition Authority.

- NOS SA, NOS Açores and NOS Madeira brought actions for judicial review of ICP-ANACOM's decisions in respect of the payment of the Annual Fee (for 2009, 2010, 2011, 2012, 2013 and 2014) for carrying on the business of Electronic Communications Services Networks Supplier in the amounts, respectively, of (i) 1,861 thousand euros, 3,808 thousand euros, 6,049 thousand euros, 6,283 thousand euros and 7,270 thousand euros; (ii) 29 thousand euros, 60 thousand euros, 95 thousand euros, 95 thousand euros, 104 thousand euros and 107 thousand euros; (iii) 40 thousand euros, 83 thousand euros, 130 thousand euros, 132 thousand euros, 149 thousand euros and 165 thousand euros, and seeking reimbursement of the amounts meanwhile paid in connection with the enforcement proceedings. This fee is a percentage decided annually by ANACOM (in 2009 it was 0.5826%) of operators' electronic communications revenues. The scheme is being introduced gradually: ⅓ in the first year, ⅔ in the second year and 100% in the third year. NOS SA, NOS Açores and NOS Madeira claim, in addition to defects of unconstitutionality and illegality, that only revenues from the electronic communications business per se, subject to regulation by ANACOM, should be considered for the purposes of the application of the percentage and the calculation of the fee payable, and that revenues from television content should be excluded.

  On 18 December 2012 a ruling was passed on the proceedings instigated by NOS SA for 2009, for which the appeal was upheld, with no prior hearing, condemning ICP-ANACOM to pay the costs. ICP-ANACOM appealed and by decision of July 2013 was not upheld.

  The remaining proceedings are awaiting trial and decision.

32.2 Tax authorities

During the course of the 2003 to 2014 financial years, some companies of the NOS Group were the subject of tax inspections for the 2001 to 2012 financial years. Following these inspections, NOS, as the controlling company of the Tax Group, and companies not covered by Tax Group, were notified of the corrections made to the Group's tax losses, to VAT and stamp tax and to make the payments related to the corrections made to the above exercises. The total amount of the notifications is about 25.8 million euros. Note that the Group considered that the corrections were unfounded, and contested the amounts mentioned. The Group provided the bank guarantees demanded by the Tax Authorities in connection with these proceedings, as stated in Note 30.

At end of year 2013 and taking advantage of the extraordinary settlement scheme of tax debts, the Group settled 7.7 million euros (corresponding to notifications in the amount of 17.3 million euros less accrued interests). This amount was recorded as "taxes receivable" non current net of the provision recorded in the amount of 3.5 million euros (Note 10).

As belief of the Board of Directors of the group, supported by our lawyers and tax advisors, the risk of loss of these proceedings is not likely and the outcome thereof will not affect materially the consolidated position.

32.3. Actions by Portugal Telecom against NOS Madeira and NOS Açores

- In 2011, PT brought an action in Lisbon Judicial Court against NOS SA, claiming payment of 10.3 million euros, as compensation for alleged undue portability of NOS SA in the period between March 2009 and July 2011. NOS SA lodged a contest and reply and completion of proof is in progress.

- PT made two court notices to NOS SA (April 2013 and July 2015), two to NOS Açores (March and June 2013) and two to NOS Madeira (March and June 2013), in order to stop the prescription of alleged damages resulting from claims of undue portability, absence of response time to requests submitted to them by PT and alleged illegal refusal of electronic requests.

  PT doesn't indicate in all notifications the amounts in which it wants to be financially compensated, realizing only part of these, in the case of NOS SA, in the amount of 26 million euros (from August 2011 and May 2014), in the case of NOS Açores, in the amount of 195 thousand euros and NOS Madeira, amounting to 817 thousand euros.

- In 2011, NOS SA brought an action in Lisbon Judicial Court against PT, claiming payment of 22.4 million euros, for damages suffered by NOS SA, arising from violations of the Portability Regulation by PT, in particular, the large number of unjustified refusals of portability requests by PT in the period between February 2008 and February 2011. The court declared the compulsory performance of expert evidence, which is currently underway.

  It is the understanding of the Board of Directors, supported by lawyers who monitor the process, that there is, in substance, a good chance of NOS SA winning the action, due to the fact that PT has already been convicted for the same offense, by ICP – ANACOM. However, it is impossible to determine the outcome of the action.

- In April 2012, following the decision made on 19 July 2011 in which NOS Açores was acquitted, PT brought two new actions against NOS Açores, one relating to the MID service and the other to the supply of video and audio channels, claiming payment of 222 thousand euros and 316 thousand euros respectively, plus interest. They are awaiting decision. A sentence, without impacting interests, reduced the amount payable by NOS Açores to about 97 thousand euros concerning the first action. Following the appeal filed by PT, which the "Tribunal da Relação" (Court of Appeal) judged unfounded the NOS Açores was ordered to pay 222 thousand euros. This descision has been appealed to the Supreme Court, which in April 2012 annulled the decision of "Tribunal da Relação" (Court of Appeal) and confirmed of the decision of the first instance, ie, ro pau the around of payment of 97 thousand euros plus accrued interests in the amount of 55 thousand euros.In what concerns the second action, in the third quarter of 2014, NOS Açores was sentenced to pay 316 thousand euros, plus interest and legal costs. These amounts were paid in 2014.

32.4. Action against NOS SA

In 2014, a NOS SA provider's of marketing services has brought a civil lawsuit seeking a payment of about 1,243 thousand euros, by the alleged early termination of contract and for compensation. It is belief of the Board that the arguments used are not correct, so the outcome of the proceeding will not result in significant impact on the financial statements of the group. This action awaits for trial.

32.5. Action against Sport TV

- SPORT TV Portugal, S.A. was fined by the Competition Authority to the value of 3,730 thousand euros for the alleged abuse of its dominant position in the domestic market of subscription channels with premium sport content.

  SPORT TV is not in agreement with the decision and has therefore decided to appeal against it to the competent judicial authorities. The Court of Competition, Regulation and Supervision altered the value to 2,700 thousand euros. Meanwhile, Sport TV has appealed to the "Tribunal da Relação" (Court of Appeal) which has rejected said appeal as unfounded. Sport TV contested that decision.

- Action brought by Cogeco Cable Inc., former shareholder of Cabovisão, against Sport TV, NOS SGPS and a third, requesting, among others: (i) joint condemnation of the three institutions to pay compensation for damages caused by anti-competitive conduct, guilty and illegal, between 3 August 2006 and 30 March 2011, specifically for the excess price paid for Sport TV channels by Cabovisão, in the amount of 9.1 million euros; (ii) condemnation for damages corresponding to the remuneration of capital unavailable, in the amount 2.4 million euros; and (iii) condemnation for damages corresponding to the loss of business from anti-competitive practices of Sport TV, in connection with the enforcement proceedings. NOS contested the action, awaiting for trial.

  It is the understanding of the Board of Directors, supported by lawyers who monitor the process, that, in particularly in formal motives, it is unlikely that NOS SA is responsible in this action.

32.6. Contractual penalties

The general conditions that affect the agreement and termination of this contract between NOS and its clients, establish that if the products and services provided by the client can no longer be used prior to the end of the binding period, the client is obliged to immediately pay damages.

Until 31 December 2014, revenue from penalties, due to inherent uncertainties was recorded only at the moment when it was received, so at December 2014, the receivables by NOS SA, NOS Madeira and NOS Açores amount to a total of 119,624 thousand euros. During the semester ended on 30 June 2015 2,400 thousand euros related to 2014 receivables were received and recorded in the income statement.

From 1 January 2015, Revenue from penalties is recognised taking into account an estimated collectability rate taking into account the Group's collection history. The penalties invoiced are recorded as accounts receivable and amounts determined as uncollectible are recorded as impairment by deducting revenue recognized upon invoicing (Note 12).

32.7. Interconnection tariffs

At 30 June 2015, accounts receivable and accounts payable include 37,139,253 euros and 29,913,608 euros, respectively, resulting from a dispute between the subsidiary NOS SA and, essentially, the operator MEO – Serviços de Comunicação e Multimédia, S.A. (previously named TMN – Telecomunicações Móveis Nacionais, S.A.), in relation to the indefinition of interconnection tariffs, recorded in the year ended at 31 December 2001. In the lower court, the decision was favorable to NOS SA. The "Tribunal da Relação" (Court of Appeal), on appeal, rejected the intentions of MEO. However, MEO again appealed to the "Supremo Tribunal de Justiça" (Supreme Court), for final and permanent decision, who upheld the decision of the "Tribunal da Relação" (Court of Appeal), thus concluding that the interconnection prices for 2001 were not defined. The settlement of outstanding amounts will depend on the price that will be established.

33. Share incentive scheme

On 23 April 2014, the General Meeting approved the Regulation on Short and Medium Term Variable Remuneration, which establishes the terms of the Share incentive Schemes ("NOS Plan"). This plan aimed at more senior employees with the vesting taking place three years being awarded, assuming that the employee are still with the company during that period.

In addition to the NOS Plan abovementioned, at 30 June 2015, are still unvested:

i) The Share Incentive Schemes approved by the General Meetings of Shareholders on 27 April 2008 and 19 April 2010 ("Standard Plan" and "Senior Plan"). The Standard Plan is aimed at eligible members selected by the responsible bodies, regardless of the roles they perform. In this plan the vesting period for the assigned shares is five years, starting twelve months after the period to which the respective assignment relates, at a rate of 20% a year. The Senior Executive Plan, implemented following approval by the General Meeting of Shareholders in April 2010, has a vesting period of 3 years following the attribution of the shares.

ii) The Optimus Group had implemented a share incentive scheme for more senior employees based on Sonaecom shares ("Optimus Plan"), subsequently converted into NOS shares in the date of the merger(27 August 2013). Optimus Plan was aimed to employees above a certain function level. The vesting occurs three years after the award of each plan, assuming that the employees are still employed in the Group, during that period.

iii) NOS Sistemas, formaled named Mainroad, had implemented a share incentive scheme for more senior employees based on Sonaecom shares ("Mainroad Plan"), subsequently converted into NOS shares in theacquisition date (20 September 2014). Mainroad Plan was aimed to employees above a certain function level. The vesting occurs three years after the award of each plan, assuming that the employees are still employed in the Group, during that period.

As at 30 June 2015, the unvested plans are:

	NUMBER OF SHARES
SENIOR PLAN	
Plan 2013	163,909
STANDARD PLAN	
Plan 2009	14
Plan 2010	1,269
Plan 2011	66,868
Plan 2012	126,804
Plan 2013	191,126
OPTIMUS PLAN	
Plan 2012	1,549
Plan 2013	1,196,031
MAINROAD PLAN	
Plan 2013	88,173
Plan 2014	45,356
NOS PLAN	
Plan 2014	889,816
Plan 2015	663,626

During the semester ended on 30 June 2015, the movements that occurred in the plans, are detailed as follows:

	SENIOR PLAN	STANDARD PLAN	OPTIMUS PLAN	MAINROAD PLAN	NOS PLAN
BALANCE AS AT 31 DECEMBER 2014:	**309,792**	**632,246**	**2,734,140**	**236,804**	**843,588**
MOVEMENTS IN THE PERIOD:					
Awarded	-	-	-	-	650,158
Vested	(106,373)	(253,682)	(1,430,069)	(105,986)	(3,969)
Cancelled / elapsed / corrected (1)	(39,510)	7,517	(106,491)	2,711	63,665
BALANCE AS AT 30 JUNE 2015:	**163,909**	**386,081**	**1,197,580**	**133,529**	**1,553,442**

(1) Refers mainly to correction made for dividends paid, exit of employees not entitled to the vesting of shares and other adjustments resulting from the way the shares are vested.

The share plans costs are recognised over the year between the awarding and vesting date of those shares. The responsibility is calculated taking into consideration the share price at award date of each plan, however for the Optimus plan and Mainroad plan, the award date is the date of the merger and acquisition (the time of conversion of Sonaecom shares plans into NOS shares plans), respectively. As at 30 June 2015, the outstanding responsibility related to these plans is 7,699 thousand euros and is recorded in reserves.

The costs recognised in previous years and in the period, its liabilities are as follows:

	TOTAL
Costs recognised in previous years related to plans as at 31 December 2014	13,045
Costs of plans vested in the period	(7,534)
Costs recognised in the period and others	2,736
Costs of plans exceptionally settled in cash and others	(548)
TOTAL COST OF THE PLANS (REGISTERED IN RESERVES)	**7,699**

34. Subsequent events

Until the date of this document, there were no significant subsequent events that merit disclosure in this report.

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IAS / IFRS) as adopted by the European Union and the format and disclosures required by those Standards, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

35. Annexes

A) Companies included in the consolidation by the full consolidation method

COMPANY	HEADQUARTERS	ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP EFFECTIVE 31-12-2014	DIRECT 30-06-2015	EFFECTIVE 30-06-2015
NOS, SGPS, S.A.	Lisbon	Management of investments	-	-	-	-
Empracine - Empresa Promotora de Atividades Cinematográficas, Lda.	Lisbon	Movies exhibition	Lusomundo SII	100%	100%	100%
Lusomundo - Sociedade de investimentos imobiliários SGPS, SA	Lisbon	Management of Real Estate	NOS	100%	100%	100%
Lusomundo España, SL	Madrid	Management of investments relating to activities in Spain in the audiovisuals business	NOS	100%	100%	100%
Lusomundo Imobiliária 2, S.A.	Lisbon	Management of Real Estate	Lusomundo SII	100%	100%	100%
Lusomundo Moçambique, Lda.	Maputo	Movies exhibition and commercialization of other public events	NOS Cinemas	100%	100%	100%
NOS Sistemas, S.A. ('NOS Sistemas') (a)	Maia	Rendering of consulting services in the area of information systems	NOS SA	100%	100%	100%
NOS Açores Comunicações, S.A.	Ponta Delgada	Distribution of television by cable and satellite and operation of telecommunications services in the Azores area	NOS SA	84%	84%	84%
NOS Communications S.à r.l	Luxemburgo	Management of investments	NOS	100%	100%	100%
NOS Comunicações, S.A.	Lisbon	Implementation, operation, exploitation and offer of networks and rendering services of electronic comunications and related resources; offer and commercialisation of products and equipments of electronic communications	NOS	100%	100%	100%
NOS Inovação, S.A. (b)	Matosinhos	Achievement and promotion of scientific activities and research and development as well as the demonstration, dissemination, technology transfer and formation in the fields of services and information systems and fixed solutions and last generation mobile, television, internet, voice and data, and licensing and engineering services and consultancy	NOS	-	100%	100%
NOS Lusomundo Audiovisuais, S.A.	Lisbon	Import, distribution, commercialization and production of audiovisual products	NOS	100%	100%	100%
NOS Lusomundo Cinemas , S.A.	Lisbon	Movies exhibition and commercialization of other public events	NOS	100%	100%	100%
NOS Lusomundo TV, Lda.	Lisbon	Movies distribution, editing, distribution, commercialization and production of audiovisual products	NOS Audiovisuais	100%	100%	100%
NOS Madeira Comunicações, S.A.	Funchal	Distribution of television by cable and satellite and operation of telecommunications services in the Madeira area	NOS SA	78%	78%	78%
NOSPUB, Publicidade e Conteúdos, S.A.	Lisbon	Comercialization of cable tv contents	NOS SA	100%	100%	100%
NOS TECHNOLOGY – Concepção, Construção e Gestão de Redes de Comunicações, S.A. ('Artis') (c)	Matosinhos	Design, construction, management and exploitation of electronic communications networks and their equipment and infrastructure, management of technologic assets and rendering of related services	NOS	100%	100%	100%
NOS TOWERING – Gestão de Torres de Telecomunicações, S.A. ('Be Towering') (c)	Lisbon	Implementation, installation and exploitation of towers and other sites for the instalment of telecommunications equipment	NOS	100%	100%	100%
Per-Mar – Sociedade de Construções, S.A. ('Per-Mar')	Maia	Purchase, sale, renting and operation of property and commercial establishments	NOS	100%	100%	100%
Sontária - Empreendimentos Imobiliários, S.A. ('Sontária')	Maia	Realisation of urbanisation and building construction, planning, urban management, studies, construction and property management, buy and sale of properties and resale of purchased for that purpose	NOS	100%	100%	100%
Teliz Holding B.V.	Amstelveen	Management of group financing activities	NOS	100%	100%	100%
ZON FINANCE B.V.	Amesterdan	Management of group financing activities	NOS SA / NOS	100%	50% / 50%	100%

a) During 2015, the Company's name was changed from Mainroad to Nos Sistemas.

b) Company established on 31 March 2015 by the spin-off project of NOS Comunicações, SA..

c) On February 2015, the Company's name changed from Be Artis to Nos Technology and from Be Towering to Nos Towering.

B) Associated companies

COMPANY	HEADQUARTERS	ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP EFFECTIVE 31-12-2014	PERCENTAGE OF OWNERSHIP DIRECT 30-06-2015	PERCENTAGE OF OWNERSHIP EFFECTIVE 30-06-2015
Big Picture 2 Films, S.A.	Oeiras	Import, distribution, commercialization and production of audiovisual products	NOS Audiovisuais	20.00%	20.00%	20.00%
Canal 20 TV, S.A.	Madrid	Production, distribution and sale of contents rights for television films	NOS	50.00%	50.00%	50.00%
Distodo - Distribuição e Logística, Lda. ("Distodo")	Lisbon	Stocking, sale and distribution of audiovisuals material	NOS Audiovisuais	50.00%	50.00%	50.00%

C) Jointly controlled companies

COMPANY	HEADQUARTERS	ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP EFFECTIVE 31-12-2014	PERCENTAGE OF OWNERSHIP DIRECT 30-06-2015	PERCENTAGE OF OWNERSHIP EFFECTIVE 30-06-2015
Dreamia Holding B.V.	Amsterdam	Management of investments	NOS Audiovisuais	50.00%	50.00%	50.00%
Dreamia - Serviços de Televisão, S.A.	Lisbon	Conception, production, realization and commercialization of audiovisual contents and provision of publicity services	Dreamia Holding BV	50.00%	100.00%	50.00%
East Star Ltd	Port Louis	Management of investments involved in the development, operation and marketing, through any technological means, of telecommunications, television and audiovisual products and services	Teliz Holding B.V.	30.00%	30.00%	30.00%
FINSTAR - Sociedade de Investimentos e Participações, S.A.	Luanda	Distribution of television by satellite, operation of telecommunications services	Teliz Holding B.V.	30.00%	30.00%	30.00%
MSTAR, SA	Maputo	Distribution of television by satellite, operation of telecommunications services	NOS	30.00%	30.00%	30.00%
Sport TV Portugal, S.A.	Lisbon	Conception, production, realization and commercialization of sports programs for telebroadcasting, purchase and resale of the rights to broadcast sports programs for television and provision of publicity services	NOS	50.00%	50.00%	50.00%
Upstar Comunicações S.A.	Vendas Novas	Electronic communications services provider, production, commercialization, broadcasting and distribution of audiovisual contents	NOS	30.00%	30.00%	30.00%
ZAP Media S.A.	Luanda	Projects development and activities in the areas of entertainment, telecommunications and related technologies, the production and distribution of the contents and the design, implementation and operation of infrastructure and related facilities	FINSTAR	30.00%	100.00%	30.00%
ZAP Cinemas, S.A.	Luanda	Projects development and activities in the areas of entertainment, telecommunications and related technologies, the production and distribution of the contents and the design, implementation and operation of infrastructure and related facilities	FINSTAR	30.00%	100.00%	30.00%
ZAP Publishing, S.A.	Luanda	Projects development and activities in the areas of entertainment, telecommunications and related technologies, the production and distribution of the contents and the design, implementation and operation of infrastructure and related facilities	ZAP Media	30.00%	100.00%	30.00%

Financial investments whose participation is less than 50% were considered as joint arrangements due to shareholder agreements that confer joint control.

D) Companies recorded at cost

COMPANY	HEADQUARTERS	ACTIVITY	SHARE HOLDER	PERCENTAGE OF OWNERSHIP		
				EFFECTIVE	DIRECT	EFFECTIVE
				31-12-2014	30-06-2015	30-06-2015
Turismo da Samba (Tusal), SARL (a)	Luanda	n.a.	NOS	30.00%	30.00%	30.00%
Filmes Mundáfrica, SARL (a)	Luanda	Movies exhibition	NOS	23.91%	23.91%	23.91%
Companhia de Pesca e Comércio de Angola (Cosal), SARL (a)	Luanda	n.a.	NOS	15.76%	15.76%	15.76%
Caixanet – Telecomunicações e Telemática, S.A.	Lisbon	Telecommunication services	NOS	5.00%	5.00%	5.00%
Apor - Agência para a Modernização do Porto	Porto	Development of modernizing projects in Oporto	NOS	3.98%	3.98%	3.98%
Lusitânia Vida - Companhia de Seguros, S.A ("Lusitânia Vida")	Lisbon	Insurance services	NOS	0.03%	0.03%	0.03%
Lusitânia - Companhia de Seguros, S.A ("Lusitânia Seguros")	Lisbon	Insurance services	NOS	0.04%	0.04%	0.04%

a) The financial investments in these companies are fully provisioned.

Limited Review Report Prepared by Auditor Registered in CMVM

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(Free translation of a report originally issued in Portuguese)

Limited Review Report on the Half Year Consolidated Financial Information
Prepared by an Auditor Registered with the Securities Market Commission ("CMVM")

Introduction

1. In accordance with the Portuguese Securities Market Code (CVM), we present our limited review report on the consolidated financial information included in the Consolidated Management Report and in the consolidated financial statements of NOS, S.G.P.S., for the six month period ended 30 June 2015, comprising of: the consolidated statement of financial position (which shows total assets of 3.015.379 thousand Euros and total equity of 1.035.405 thousand of Euros, including a consolidated net profit attributable to equity holders of the parent of 47.309 thousand Euros), the Consolidated income statement and other comprehensive income, the Consolidated statement of changes in equity and the Consolidated statement of cash flows for the period then ended, and the related Notes to the consolidated financial statements.

2. The amounts in the consolidated financial statements, as well as those in the additional financial information, are extracted from the respective accounting records of the companies included in the consolidation, subsequently adjusted in the consolidation process as disclosed in the Note 2 to the consolidated financial statements.

Responsibilities

3. The Company's Board of Directors is responsible for:

   (a) the preparation of consolidated financial information which present a true and fair view of the financial position of the companies included in the consolidation, the consolidated results and the consolidated comprehensive income of their operations, the changes in consolidated shareholder's equity and the consolidated cash flows;

   (b) the preparation of historical financial information in accordance with International Financial Reporting Standards as adopted by the European Union, for the Interim

Sociedade Anonima - Capital Social 1.335.000 euros - Inscrição n.º 178 na Ordem dos Revisores Oficiais de Contas - Inscrição N.º 9011 na Comissao do Mercado de Valores Mobiliarios
Contribuinte N.º 505 988 283 - C. R. Comercial de Lisboa sob o mesmo numero
A member firm of Ernst & Young Global Limited

Financial Reporting (IAS 34) and which is complete, true, current, clear, objective and licit, as required by the CVM;

(c) the adoption of appropriate accounting policies and criteria;

(d) the maintenance of appropriate systems of internal control; and

(e) informing of any significant matters which have influenced the activity, financial position, results and comprehensive income.

4. Our responsibility is to verify the financial information included in the documents referred to above, namely if it is complete, true, current, clear, objective and licit, as required by the CVM, for the purpose of issuing an independent and professional report based on our work.

Scope

5. Our work was performed with the objective of obtaining moderate assurance about whether the financial information referred to above is free from material misstatement. Our work was performed in accordance with the technical standards and directives of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficais de Contas") planned according to the objective, and consisted:

   a) principally of enquiries and analytical procedures to review:
      (i) the reliability of the assertions included in the financial information;
      (ii) the appropriateness of the accounting principles adopted, considering the circumstances, and their consistency;
      (iii) the appropriateness, or not, of the going concern principle;
      (iv) the presentation of the consolidated financial information; and
      (v) as to whether the consolidated financial information is complete, true, current, clear, objective and licit; and

   b) of substantive tests of unusual significant transactions.

6. Our work also included the verification of the consistency of the consolidated financial information included in the Management Report with the remaining documents referred to above.

7. We believe that the work carried out provides a reasonable basis for the issue of this Limited Review Report on the half year consolidated financial information.

Conclusion

8. Based on the work performed, which was carried out with the aim of obtaining, a moderate level of assurance, nothing has come to our attention that causes us to believe that the consolidated financial information for the six month period ended 30 June 2015 of NOS, S.G.P.S., S.A., is not free from material misstatements that affect its conformity with the International Financial Reporting Standards as adopted by the European Union for Interim Financial Reporting (IAS 34), and that is not complete, true, current, clear, objective and licit.

Report on other requirements

9. Based on the work performed, nothing has come to our attention that causes us to believe that the consolidated financial information included in the Management Report is not consistent with the consolidated financial information for the period.

Lisboa, 28 July 2015

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas (nº 178)
Represented by:

(Signed)

Ricardo Filipe de Frias Pinheiro (ROC nº 739)

Statement under the terms of Article 246, Paragraph 1, c), of the Securities Code

In accordance with Article 246, paragraph 1, c) of the Securities Code, the Board of Directors of NOS, SGPS, SA, whose name and roles are listed below, declare that, to their knowledge:

a) The first half 2015 accounts, were elaborated in compliance with the applicable accounting standards, accurately and truthfully portraying the assets and liabilities, situation and results, as well as those of the companies included in its consolidation perimeter;

b) The management report faithfully portrays the important events occurred in First Half 2014 and its impact on the accounts and, when applicable, contains a description of the main risks and uncertainties for the following six months.

Jorge Brito Pereira
(Chairman of the Board of Directors)

Miguel Nuno Santos Almeida
(Chairman of the Executive Committee)

José Pedro Faria Pereira da Costa
(Vice President, Member of the Executive Committee)

Manuel Ramalho Eanes
(Member of the Executive Committee)

André Nuno Malheiro dos Santos Almeida
(Member of the Executive Committee)

Ana Paula Garrido de Pina Marques
(Member of the Executive Committee)

Ângelo Gabriel Ribeirinho dos Santos Paupério
(Member of the Board of Directors)

António Bernardo Aranha da Gama Lobo Xavier
(Member of the Board of Directors)

António Domingues
(Member of the Board of Directors)

Catarina Eufémia Amorim da Luz Tavira
(Member of the Board of Directors)

Fernando Fortuny Martorell
(Member of the Board of Directors)

Isabel dos Santos
(Member of the Board of Directors)

Joaquim Francisco Alves Ferreira de Oliveira
(Member of the Board of Directors)

Lorena Solange Fernandes da Silva Fernandes
(Member of the Board of Directors)

Maria Cláudia Teixeira de Azevedo
(Member of the Board of Directors)

Mário Filipe Moreira Leite da Silva
(Member of the Board of Directors)